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America's Primary Interests In Asia

by Under Secretary Smith¹

Following are remarks by Under Secretary Smith in reply to questions put to him by John Hightower of the Associated Press and Bill Costello of the Columbia Broadcasting System on the CBS television program, "Crossroads Asia," on August 1.

Q: How would you describe America's primary interests in that part of the world today?

A: I should think the best way to illustrate America's interest in Asia is to remind you, and the audience, of some of our major actions in Asia in the past. They have been great ones.

You remember that we used our influence to prevent China from being carved up by the Great Powers half a century ago.

The war we fought a decade ago was fought in part to prevent the subjugation of China by Imperial Japan.

Our grant of independence to the Philippines, done in 1946 in accordance with a promise made some years ago, has produced one of the most loyal, faithful, and devoted allies that we have.

The exertion of our influence in favor of the independence of other Southeast Asian countries.

The war we fought to prevent the conquest of the Republic of Korea by Communist imperialism.

The support we gave to Laos, Cambodia, and Viet-Nam, and the French Union, that prevented the Communists from overrunning all of Indochina at least.

Now, in all of these actions, you see, the United States has been acting in behalf of the independence of Asian countries. What we'd like to see in Asia is a community of free and self-supporting states. That is where our interest is.

The reasons are: first, because we cherish certain values; we believe in freedom, for example. Second, we wish to be able to exchange goods and ideas freely in Asia. And, third, our own security

would be jeopardized if Southeast Asia were brought under hostile imperialism.

I think the answer is there.

Q: General, in your opinion, which is the greater problem in Asia today—nationalism or communism?

A: Well, if you mean by "nationalism" what I mean, I would like to answer the question this way:

Communism is a movement to bring all of the people in the world under one all-powerful central authority, and I define nationalism as the passionate desire of people to live their own lives in their own way. The two are incompatible, it seems to me.

As to which is the greater problem, the answer is that communism is the greatest problem confronting the nationalists today; and nationalism is the greatest problem confronting the Communists. And I well recall that a correspondent friend of mine interviewing Mr. Ho Chi Minh, when he returned to Southeast Asia, asked him laughingly, "Mr. Ho, are you still a Communist?" He said, "I don't have to be a Communist. I can now be a nationalist." He meant by that, by posing as the champion of a nationalist movement the Communists can sometimes gain important advantages, as they did in China and in Viet-Nam; but in the end, the nationalism of subject people will, I believe, break the Communist empire into fragments.

Now, I don't say that's going to happen within our lifetime, but the stress and strain is there. Nationalism, and by that I mean the pride of a people in its heritage, its determination to be independent, is one of the greatest assets on the side of the free world.

Collective Defense

Q: Well, now, sir, very much work has been done recently in organizing a Southeast Asian collective defense. How would that contribute toward stopping communism in Asia?

¹ Press release 417 dated July 31.

A : You have to draw the line somewhere, as you know. Otherwise, we will be eroded, bit by bit. The demonstrated peril of communism in the general area of Southeast Asia is not only its open aggression, but it's even more, I think, the covert subversion. Both of these threats cannot be successfully defeated except by the determined unity of action in the free governments and the people who wish to preserve their sovereignty. They have got to fight for their independence and for their national institutions, and the coordination of effort and increased strength, the security and confidence which we can achieve through collective action will add a great deal to the sum total of what each nation would be willing and able to do by itself. That's the great advantage of this collective action.

Q : General, what countries do you think should belong to a Southeast Asian treaty organization?

A : Well, personally, I feel that every free country of the area which is interested in its own self-preservation should at least be willing to explore the advantages inherent in the concept of collective security.

Now, we recognize there are certain limiting factors relative to the actual participation in such an arrangement by some of the countries in Southeast Asia. There is the matter of geography, a willingness to participate, the acceptability to other participants.

You know that a number of countries have already indicated their willingness to meet together to discuss how best to protect their individual and common liberties through a regional arrangement. I'd rather not speculate as to which free countries will actually be members, but I must say that we view the question of membership as a rather open matter, and we assume that the original participants will always be prepared to consider additional memberships.

Q : You refer to drawing a line, sir. Could you say where, in the opinion of Washington, the line should be drawn against communism?

A : Before we get too deeply into the subject, I think I ought to point out that we have had a number of preliminary consultations with interested governments. It's not settled what form the proposed organization will take. I don't want, therefore, to talk about the actual details, such as the details of membership, the methods of implementation, councils, whatever they may be, charters and the like, something that hasn't yet been brought into being—these will all have to be worked out by the participating nations, but we are making excellent progress.

Q : Could you say, on one point of such an organization, what kind of commitment should be made by the countries joining the alliance? By that I mean, should they pledge themselves to fight auto-

matically, for example, if the Communists crossed whatever line was drawn?

A : No, I think the answer to that question can only be made after the interested parties have worked out provisions which will be individually and collectively acceptable to them, within their capabilities, and in accordance with their constitutional practices. But this, I would like to say, is my own opinion.

We have now set up, as a result of the Geneva agreement, a group of small, almost defenseless states, and of course if one can assume good faith on the part of the Communists, which I always question, they will be secure. I think, however, that their existence must in some way be guaranteed. That does not essentially mean that their borders are lines which would be defended, but it might well be said that if, by aggression, either overt or covert, those frontiers are crossed, that is evidence of the ill faith on the part of the Communists and may be a threat to our collective security. Other things might then automatically happen, if you understand what I mean.

Danger of Subversion

Q : Well, now, General, stopping military aggression is only one part of the problem of halting communism in Southeast Asia or elsewhere. The other part is the danger of subversion or internal aggression. Now, how could the United States and its Allies block that kind of aggression?

A : Well, that's the most difficult of our problems, and of course you saw a perfect example of it in Viet-Nam. Communist subversion takes advantage of, let us say, ignorance, gullibility, or—more important—economic dislocations, or social or political injustices, or corruption, or other weakness, in order to attempt to weaken and ultimately overthrow non-Communist governments.

Now, by eliminating such conditions, and by determined effort to improve internal security, I believe that it is possible to block Communist subversion.

There again you have the problem of collective effort and collective assistance. We think that improvement in education, a greater exchange of information, intelligence, and experience among the free world allies, economic assistance, mutual assistance possibly in many forms, including help for police and for local security forces, would be among the measures that might be used effectively.

A good many of these activities can be carried out under a proposed Southeast Asian arrangement, and such an arrangement would not necessarily, I think, not even essentially be a military pact.

Q : General, Southeast Asia is only one of the regions, of course, that is threatened by communism pressing outward from China. We already

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have defense treaties with Korea, Japan, the Philippines, New Zealand, and Australia—why not bring them all into one alliance?

A: I think you will agree that recent developments in Southeast Asia have lent a particular urgency to the development of the Southeast Asian collective security arrangement, comprising as many nations in that area as are willing to take part. That's why we concentrated so specifically on that area.

Of the nations you have mentioned, such a pact would probably include the Philippines, for example: certainly Thailand. Both the Philippines and Thailand have indicated their willingness to join. New Zealand and Australia are in the Pacific area, and they are very much concerned. Whether this pact should eventually be expanded to include say Japan or Korea is, of course, a matter for much longer range consideration, and there are many problems involved.

You have to bear in mind that membership in a pact like this must be acceptable to the other participants. The process of drawing the countries in East Asia together is a very, very difficult process. When Secretary Dulles went out into the Pacific to work out some specific security treaties in 1951, for example, he had in mind the possibility of having a rather broad pact. However, the political differences, the conflicts of interests, certain lack of common tradition among many of the countries made it impossible at that time to bring this broader concept into being.

Q: Well, General Smith, Communist propaganda places heavy emphasis on the claim that the Reds in Southeast Asia are simply native patriots trying to get rid of the British or the French, or, as they often say, "American imperialism." What can the United States and its allies do to counter that line of argument?

A: I think the best thing that we can do is to demonstrate by our actions, as well as our words, that what we want for Asia, what we would like to see the Asians have, is what the Asians want themselves.

What they want most, I believe, is, first, national independence and peace, and economic and social progress; and if we can show that we are using our power to help them achieve these things, we'll be able to answer Communist propaganda effectively.

Q: General, I would like to get on to another tack on this subject. Do you think that the recent attacks on the British commercial airliner and on American search planes near Hainan Island are typical of the kind of trouble that may be expected from the Chinese Communists in the future?

A: I fear so. We have had this from time to time, periodically. The belligerent attitude of the Chinese Communists, their disregard for interna-

tional humanitarian conventions, were demonstrated there. I think it's rather unlikely that the Chinese Communist regime will change its attitude or its actions as long as it remains subservient to, or a willing ally of, international communism.

Q: Now, General, if the Chinese Communists persist in being tough, does the United States have any alternative course of action, I mean other than taking a strong line itself?

A: Well, we are certainly not going to be intimidated. We will continue to take whatever action seems to us to be necessary in safeguarding our interests, and we'll continue to stand ready, with other nations, in resisting Communist aggression, when we are called on to do so.

On the other hand, the idea of some of our European friends, that we are, as has been said, trigger happy, or overly impetuous, I think is not correct. Our actions will be well and carefully considered.

Q: Well, now, it's been suggested sometimes that one way to check communism in Asia would be to recognize the Chinese Communists and try to get along with them in a friendly manner. The British policy has developed in that direction for several years. Do you think such a course would pay dividends to the United States?

A: The Chinese Communists have openly declared their hostility toward all the non-Communist governments of the Far East as well as to the Western Powers with interests in the areas, particularly since the outbreak of the Korean War.

The United States has been singled out by the Chinese Reds as the so-called imperialist threat to the peace of the region, and I may say that during the Korean phase of the Geneva Conference no nation was attacked by name, by the Communists, except the United States. Where they wished to make a collective attack, they said, "The United States and certain other nations," but we were the only ones that were attacked by name, and consistently attacked by name.

I want to remind you that each of the independent governments of Asia, at one time or another, has been denounced in terms such as "reactionary," "undemocratic," or "puppets of the imperialists," and in the face of this record of Chinese Communist hostility toward the United States, and indeed toward the independent governments of Asia, it's very hard for me to believe that whatever professions of friendship they might make can be regarded as more than complete hypocrisy, or at least as a temporary tactical move.

That's the way I feel about it.

Question of Unifying Korea

Q: Now, another policy would be to get very tough on specific issues—for example, the unification of

Korea. President Rhee has often advocated renewal of the war in Korea as a means of unifying that country. Why should the United States not support Rhee in this?

A: You remember President Eisenhower's recent statement at a press conference? He pointed out clearly that the United Nations engaged in military action in Korea to prevent the advance of the Communist aggressors into the territory of South Korea, and that that action had never had, as its objective, the liberation of North Korea, or the political unification of Korea. The President added that while the division of Korea constituted a very unsatisfactory situation, there is no thought on the part of any of us to start an aggressive move for unifying the country.

You remember the United States Senate, when it ratified the Mutual Defense Treaty on Korea, reemphasized, in a special resolution, that it was the clear intent of the United States Government that the defense treaty not be construed as requiring the United States to give assistance to Korea except in event of armed attack against territory which has been recognized by the United States as lawfully brought under the administrative control of the lawful government of Korea.

Q: General, you returned from the Geneva Conference 2 weeks ago. Did you find evidence in the negotiations there on Korea and Indochina that the Chinese Communists would like to discover some way of getting along with other countries? What was your impression?

A: Well, my very definite impression was that the Chinese Communists were seeking a way of getting along with other countries. By that I mean they were seeking a way of getting what they want out of other countries without risking another Korea. Now, they want trade with the free world. They want a chance to industrialize. They would like—they want more than anything else—international acceptance. They want an opportunity to consolidate their position and to increase their influence in Asia.

I don't mean by this, in any way, to imply a change in their long-range program, which I do not think—I am certain—has not been changed. They now appear to be exploiting other means of achieving their objective—their control in Asia.

Q: Well, to state that question in a little different way, General, just for the sake of emphasis: Do you think the Indochina cease-fire foreshadows an end of the cold war in Asia?

A: Well, you know, the cold war is not of our making. I am afraid it will continue as long as the Communists seek to extend their sway over other people.

However, I have every confidence that the resistance of the free people will continue. As for

what the Communists intend, it may be that they mean to reduce their more obvious expansionist pressures on the free world for a time, for tactical or psychological reasons. You remember Lenin's "two steps forward, one step back" quotation. But I haven't seen any signs that they are ready to settle down as peaceful members of society. I'll believe the cold war, as it's been called, is over when the Soviet Union begins to reduce its enormous military establishments, when it starts to lift the Iron Curtain, and when it makes some move to free the captive nations of Eastern Europe. If we see those hopeful signs, then I think we might begin to relax, but not until then.

"Co-existence"

Q: Well, this brings us around, sir, to the word "co-existence." The Russians seem to want the free world to believe that they favor a relaxation in the struggle. Some Europeans seem to agree. Is it safe for the United States Government, in forming policy, to bring any such assumption into its consideration?

A: Well, it's certain the Soviet Union, for its own purposes, would like to allay the feeling of alarm that caused the free nations to draw together for their common defense after the Communist seizure of power in Czechoslovakia.

When I first talked with Stalin, after I went to the Soviet Union, I made a statement, carefully prepared here, which outlined the then policy of the United States, and I invited his attention to the fact that the free world had become alarmed by this dynamic expansionism of the Soviet Union, and that, if it continued, it would inevitably cause the free world to draw together for its own security, but only for its own security.

I reminded Mr. Molotov of that statement during Geneva.

The Communists now would like to lull the world into a false sense of security, and we are rather easily lulled into a false sense of security, because we are conscious of our own rectitude and we like to think that other people have the same ideas as we have. If they are able to do so, they can, behind this screen, pursue their tactics of subversion, infiltration, and propaganda. They'd like to have the world believe that their aim is peaceful, that the danger of war arises from the belligerence of the United States. You hear that repeated constantly.

They'd like to isolate the United States. One of the basic objectives of their foreign policy is to separate the United States from its Allies.

Their shift to a new soft line is an admission, I think, that the openly bullying tactics of the past have not quite paid the dividends that they expected.

Q: Well, General, in the light of what you say about this Russian attitude which we have ob-

served throughout the postwar period, why do you think the Reds made peace in Indochina? To many people they seemed to be militarily successful at the time.

A.: As you know, I said when I left Geneva, when I was asked whether the Geneva agreement represented a Far Eastern Munich for the Allies, I think that those agreements were a reflection of the military situation in Indochina. They represented the best possible settlement which could be obtained in the light of that situation. I said that it's rarely possible to gain, at the conference table, what could not be gained or held on the battlefield. Now, that was our position.

The Communists seem to have had the initiative, they did have it on the battlefield to a degree which put them in a very threatening position, but I think that the same reasoning lies behind the fact that they too were willing to reach an agreement. The Viet Minh had suffered a great deal during this very long war. With the Communists, probably what tipped the scales was the potential military situation, if they were to prolong the war—the power of the United States which conceivably then might have been used. They saw definite signs of the closing of allied ranks, the quick formation of a collective security arrangement to comprehend the Associated States, possibly an increased order of military operation. I think that's it.

Q: General, we now have two divided countries in Asia, Korea and Indochina. What effect is this sort of division going to have on the East-West relationships?

A.: Divisions of this sort are always thoroughly bad. They are very unsatisfactory, since they represent no common solution. They create points of local and of East-West friction which will presumably remain unless there is a satisfactory permanent solution.

But I must say that the resultant frictions are somewhat less severe probably than those which result from inconclusive and prolonged bloody wars, and they do, for the moment at least, bring to a halt the bloodshed and disruption of actual warfare.

The Communists feel that time works to their advantage, I am sure, in the area. We would hope to make it work to ours.

We don't accept these divisions as permanent political solutions. We accept them as truce lines brought about as a harsh military necessity resulting from Communist aggression, and we will continue to work toward unification under conditions of freedom and independence.

In Viet-Nam, both sides have promised free

elections for the purpose of establishing a unified country. So there's some small hope for a real solution in the present unsatisfactory partition there. It remains to be seen, however, whether the Communists are acting in good faith.

Trade With Red China

Q: General, to get back to this question of co-existence with Communists, one major aspect of the question, of course, is trade. Some of the Allied countries, notably Britain, want to build up trade with Red China. Now, what does the United States Government think about this whole problem?

A: We don't believe in putting into the hands of these people the tools to make or build an industrial base for further adventures in aggression. The policy of total embargo to Communist China has been the consistent position of the United States, but, as you mentioned, other free countries have not been able to accept this position as it applies to non-strategic goods.

The remarkable thing about Allied-country trade policies toward Communist China, considering the difference in political, economical, geographic, and other important circumstances, is not the area of disagreement but the area of agreement reflected in the United Nations strategic-embargo resolution. We are better off than we think we are in some respects.

Q: Does the real answer to communism, in the areas of Asia which are still free from it, lie primarily, do you think, General, in building military power there, or in such measures as raising the living standards of the people and strengthening their local governments?

A: I don't think that you can say that either one, rather than the other, is the real answer. It is essential to remedy situations that lead to widespread wretchedness, such things as unemployment, hunger, landlessness among the peasantry, the oppression by foreign rulers or native overlords, corruption and self-seeking in government—all the things that cause despairing people to turn to communism as a way out.

But it is not enough for a country simply to be anti-Communist; and please remember how the Republic of Korea, in the years before June 1950, proved immune to all the efforts of the Communists to subvert it. The result was that they launched a military attack on it.

The answer is that a country exposed to Communist pressure must not only have a strong and healthy society but must also have the means to defend itself from attack.

U.S. Protests Against Attacks by Communist Chinese Planes

STATEMENT BY SECRETARY DULLES

Press release 406 dated July 26

As I announced on Saturday, July 24, the Secretary of Defense had ordered two United States aircraft carriers to proceed to the scene of the Chinese Communist assault upon the British commercial airliner which resulted in the death of three Americans and the wounding of three others.¹ The mission as stated then of these ships and their planes was to conduct and protect further rescue and search operations in the vicinity of the tragedy.

This Government is now informed that two United States carrier-based planes of the rescue type, while conducting their mission of mercy and seeking possible survivors, were attacked over the high seas by two Chinese Communist fighter aircraft, apparently of the same type as shot down the Cathay Pacific commercial airliner. The United States planes returned the fire and the two Chinese Communist planes were shot down. There were no casualties on the United States side.

The United States plans to protest most vigorously against this further evidence of Chinese Communist brutality and their belligerent interference with a humanitarian rescue operation being conducted over the high seas.

DEPARTMENT ANNOUNCEMENT

Press release 410 dated July 27

The U.S. Government has requested the British Government to instruct its representative at Peiping to present to the top authorities of the Chinese Communist regime the vigorous protest of the U.S. Government against the barbarous and lawless attack on July 23, 1954, at approximately 8:45 a.m., local time, against a British Cathay Pacific defenseless and unarmed commercial airliner and its passengers. Occurring over international waters about 30 miles south of Hainan Island, this unprovoked and unwarranted attack resulted in the killing of three United States citizens, including two children of the tender ages of 2 and 4 years, and the wounding of three other U.S. citizens, including a child age 6.

In behalf of the U.S. Government appropriate punishment is demanded of all persons bearing responsibility for this criminal attack, as well as compensation for the victims and the family of those killed. A further demand is made that measures be taken to guard against repetition of such an action and that the U.S. Government be informed, through the British Government, of the nature of such measures.

¹ BULLETIN of Aug. 2, 1954, p. 165.

In a separate communication to the British Government for transmission to the Chinese Communist regime at Peiping, the U.S. Government stated that it had received an official report from the U.S. Naval authorities in the Pacific that at approximately 10:05 a.m., local time, on July 26, 1954, two U.S. carrier-based planes, while searching the area where the British airliner had been shot down near Hainan July 23, were attacked and fired upon by two Chinese Communist LA-9 aircraft. These are low-wing single seat fighters reported to be the Communists' fastest propeller driven fighters. The incident occurred well over international waters approximately 13 miles from Hainan. U.S. pilots of the search planes report that during this unprovoked and wanton attack a Chinese Communist gunboat also opened fire on the U.S. planes, which were engaged on a mission of mercy, searching the area of the first attack for possible survivors of the July 23 assault.

The United States requested that a most vigorous protest be made to top level authorities of the Chinese Communist regime at Peiping. Demand is made for adequate punishment of those responsible. The further demand is made that immediate, effective steps be taken to assure that there be no repetition of this deplorable attack and that the U.S. Government be informed, through the British Government, as to the nature of these measures.

The Communist regime at Peiping is informed that the United States reserves the right to present claims for possible damage and injury.

TEXTS OF AIDE MEMOIRE²

The Government of the United States protests vigorously against the barbarous and lawless attack on July 23, 1954 at approximately 8:45 a.m. local time, against a British Cathay Pacific unarmed and defenceless commercial airliner and its passengers. This unwarranted unprovoked attack occurred over international waters about 30 miles south of Hainan Island. It resulted in the killing of three United States citizens, including two children of tender age, two and four years, and the wounding of three other United States citizens, including a child aged six. The Government of the United States demands appropriate punishment of all the persons having responsibility for this criminal attack as well as compensation for the victims and families of the deceased. The Government of the United States demands that measures be taken to guard against a repetition

² These documents were handed to the Chinese Communists on July 27 by Humphrey Trevelyan, British Charge d'Affaires at Peiping, after Mr. Trevelyan had made an oral protest. They later were returned by the Communists to the British mission.

of such action and the British Government be informed of the nature of such measures.

The United States Defence authorities have received an official report from the United States Naval authorities in the Pacific that on July 26 at approximately 10:05 a.m. local time two United States carrier-based aircraft while searching the area of attack on the Cathay Pacific Aircraft were attacked and fired on by two Chinese LA-9 aircraft. This incident occurred well over the international waters approximately 13 miles from Hainan. The United States pilots involved report that during this wanton and unprovoked attack a Chinese gunboat also opened fire on the United States aircraft which, as stated above, were engaged on a mission of mercy search in the vicinity for possible survivors of the incident of July 23. The Government of the United States protests most strongly against these attacks and demands that those responsible be adequately punished, that immediate effective steps be taken to ensure that there be no repetition of this deplorable attack and that the British Government be informed as to the nature of such measures. The Government of the United States reserves its right to present a claim for possible damage and injury after thorough investigation has been completed.

U.S.-Korean Talks

White House press release dated July 30

President Eisenhower and President Syngman Rhee of Korea on July 30 issued the following statement:

We have had a fruitful and cordial exchange of views on a number of matters of mutual concern. These conversations have strengthened the friendship existing between our two countries and are a further demonstration of our solidarity of purpose.

On August 8, 1953, President Rhee and Secretary Dulles agreed that the United States and the Republic of Korea would again consult if the political conference envisaged in the Armistice of July 27, 1953 failed to produce a satisfactory settlement. This conference was held at Geneva from April 26 to June 15, 1954, but at that meeting the Communists refused to accept any formula for the unification of Korea on the basis of genuinely free elections under U.N. supervision and instead continued to press for arrangements which would have led directly and inevitably to extinguishing the liberties of the Korean people.

We reaffirm our intention to move forward, in accordance with the Charter of the United Nations and the resolutions of the General Assembly on Korea, to achieve a unified, democratic, and independent Korea. In view of the failure of the Conference at Geneva to reach a settlement of the Korean question, we have discussed means for continuing to seek this objective.

Our military and economic advisers will continue with more detailed discussions of the questions of common interest which concern them.

In conclusion, we reiterate our determination to continue to work together in close and reciprocal cooperation to attain our common objectives regarding Korea.

Offer of Aid to Flood Victims In Central and Eastern Europe

Statement by the President

White House press release dated July 29

The American people have followed with sympathy and compassion reports of the widespread human suffering which has already resulted from serious flood conditions in large areas of Central and Eastern Europe. Reports indicate that serious damage to homes and crops has occurred all along the Danube and has been particularly heavy in Germany, Austria, Czechoslovakia, Hungary, and Yugoslavia. Moreover, there have been considerable hardship and destruction of property along rivers in East Germany flowing north. The full extent of these losses cannot be known for several weeks.

In West Germany and Austria U.S. authorities have extended emergency assistance in an effort to alleviate the immediate situation. The United States is prepared to extend such aid as is feasible throughout the flood areas. We stand ready to make food available to lighten the burden on flood victims who are struggling to rehabilitate themselves.

The foodstuffs which can be made available without delay could be distributed through a mutually acceptable international agency. Various agencies are under consideration, such as the League of Red Cross Societies. We are also making inquiries regarding the need for medical and other supplies.

I have asked our diplomatic missions in each country which has suffered flood damage to make themselves available to the local authorities in such a manner that we can be promptly and effectively of assistance to aid those in distress.

Anglo-Egyptian Agreement on the Suez Base

STATEMENT BY SECRETARY DULLES

Press release 413 dated July 28

President Eisenhower has expressed the gratification of this Government at the conclusion of an agreement in principle on the Suez Base between the Governments of the United Kingdom and Egypt. I join most heartily in his congratulations to both countries.

What has occurred is a major step in the evolution of the relations between the states of the Near East and the nations of the West. This agreement eliminates a problem which has affected not only the relations between the United Kingdom and Egypt but also those of the Western nations as a whole with the Arab States. I hope that it marks the beginning of a new era of closer collaboration between the states of the Near East and those of the West.

Thanks to this agreement a new and more permanent basis has been laid for the tranquillity and security of the Near East. The United States welcomes in particular Egypt's decision to make the Suez Base available to the United Kingdom in case of aggression against the area. The United States is also pleased to note the recognition by the two parties of the importance of the Suez Canal and the determination to uphold the Convention of 1888, which guarantees freedom of navigation through this vital artery.

The United States has been favorably impressed by the plans of the present Egyptian Government to concentrate on internal social and economic development. With the solution of the Base question, this Government welcomes the stated intention of the Egyptian Government to devote its full energies to these problems so important to the future well-being of the Egyptian people.

TEXT OF HEADS OF AGREEMENT¹

It is agreed between the Egyptian and British Delegations that, with a view to establishing Anglo-Egyptian relations on a new basis of mu-

tual understanding and firm friendship, and taking into account their obligations under the United Nations Charter, an agreement regarding the Suez Canal base should now be drafted on the following lines.

2. The agreement will last until the expiry of seven years from the date of signature. During the last twelve months of this period the two Governments will consult together to decide what arrangements are necessary upon the termination of the agreement.

3. Parts of the present Suez Canal base will be kept in efficient working order in accordance with the requirements set forth in Annex 1 and capable of immediate use in accordance with the following paragraph.

4. (i) In the event of an armed attack by an outside Power on Egypt or on any country which at the date of signature of the present agreement is a party to the Treaty of Joint Defence between Arab League States² or on Turkey, Egypt will afford to the United Kingdom such facilities as may be necessary in order to place the base on a war footing and to operate it effectively. These facilities will include the use of Egyptian ports within the limits of what is strictly indispensable for the above-mentioned purposes.

(ii) In the event of a threat of an attack on any of the above-mentioned countries, there shall be immediate consultation between the United Kingdom and Egypt.

5. The organisation of the base will be in accordance with Annex 1 attached.

6. The United Kingdom will be accorded the right to move any British material into or out of the base at its discretion. There will be no increase above the level of supplies to be agreed upon without the consent of the Egyptian Government.

7. Her Majesty's forces will be completely withdrawn from Egyptian territory according to a schedule to be established in due course within a period of twenty months from the date of signature of this agreement. The Egyptian Government will afford all necessary facilities for the movement of men and material in this connexion.

8. The agreement will recognise that the Suez Maritime Canal, which is an integral part of

¹ Initiated at Cairo on July 27 by Prime Minister Gamal Abdel Nasser of Egypt and the British Secretary of State for War, Antony Head.

² Egypt, Iraq, Jordan, Lebanon, Libya, Saudi Arabia, Syria, Yemen.

Egypt, is a waterway economically, commercially and strategically of international importance, and will express the determination of both parties to uphold the 1888 Convention guaranteeing the freedom of navigation of the Canal.

9. The Egyptian Government will afford over-flying, landing and servicing facilities for notified flights of aircraft under R. A. F. control. For the clearance of any flights the Egyptian Government will extend the most-favoured-nation treatment.

10. There will be questions of detail to be covered in the drafting of the agreement including the storage of oil, the financial arrangements necessary, and other detailed matters of importance to both sides. These will be settled by friendly agreement in negotiations which will begin forthwith.

Annex 1

ORGANISATION OF THE BASE

Her Majesty's Government shall have the right to maintain certain agreed installations and to operate them for current requirements. Should Her Majesty's Government decide at any time no longer to maintain all these installations they will discuss with the Egyptian Government the disposal of any installation which they no longer require. The approval of the Egyptian Government must be obtained for any new construction.

2. Following the withdrawal of Her Majesty's forces the Egyptian Government will assume responsibility for the security of the base and of all equipment contained therein, or in transit on Egyptian territory to and from the base.

3. Her Majesty's Government will conclude contracts with one or more British or Egyptian commercial firms for the upkeep and operation of the installations referred to in paragraph 1 and the maintenance of the stores contained in these installations. These commercial firms will have the right to engage British and Egyptian civilian technicians and personnel; the number of the British technicians employed by these commercial firms shall not exceed a figure which shall be agreed upon in the detailed negotiations. These commercial firms will have also the right to engage such local labour as they may require.

4. The Egyptian Government will give full support to the commercial firms referred to in paragraph 3 to enable them to carry out these tasks and will designate an authority with whom the contractors can co-operate for the discharge of their duties.

5. The Egyptian Government will maintain in good order such installations, public utilities, com-

munications, bridges, pipelines and wharves, etc., as will be handed over to it according to agreement between the two Governments. The commercial firms referred to in paragraph 3 will be afforded such facilities as may be required in their operations.

6. Her Majesty's Government will be afforded facilities for the inspection of the installations referred to in paragraph 1 and the work being carried out therein. To facilitate this personnel shall be attached to Her Majesty's Embassy in Cairo. The maximum number of such personnel will be agreed between the two Governments.

Cabinet Committee on Energy Supplies and Resources Policy

White House press release dated July 30

The White House, on July 30, announced the formation of a Cabinet Committee on Energy Supplies and Resources Policy. The Committee will be composed of the heads of the following agencies: Department of State, Department of Defense, Department of Justice, Department of the Interior, Department of Commerce, Department of Labor, and Office of Defense Mobilization—Chairman.

The defense of the Nation in wartime and the continued expansion of the U.S. economy in peacetime require an abundant supply of energy. The industrial progress of the United States has been marked by rapidly increasing annual and per capita utilization of energy resources.

At the direction of the President the Committee will undertake a study to evaluate all factors pertaining to the continued development of energy supplies and resources and fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.

The Committee will review factors affecting the requirements and supplies of the major sources of energy including: coal (anthracite, bituminous, and lignite, as well as coke, coal tars, and synthetic liquid fuels), petroleum, and natural gas.

The Chairman of the Committee, after consultation with the members of the Committee, will appoint from outside of the Government experts in each one of the areas to be studied to serve, under his direction, as members of a task force or forces.

The Committee will submit, not later than December 1, 1954, its recommendations to the President.

Agriculture and U.S. Foreign Policy

by Thruston B. Morton
Assistant Secretary for Congressional Relations¹

I am here to discuss problems not peculiar to any single industry, nor to any group, nor even to industry as a whole—and the fact that you have invited an officer of the State Department to come here is one more proof that the American people have grown up to their responsibilities of world leadership. You are to be commended for your interest in world affairs and your awareness that they are your affairs and not just the concern of the Congress, the Departments of Agriculture, Commerce, and Defense, the State Department and other branches of your Government that deal with external affairs. All of us can look confidently toward the known and unknown problems of tomorrow if all of us together face them with intelligence and resolution.

You have asked me to talk about our foreign policy in relation to agriculture, and this I shall do as well as the limits of my knowledge in such a vastly complex field permit. But even if I were as expertly informed as Secretary of Agriculture Benson, who spoke to you last year in Milwaukee, I could not limit myself to agriculture alone in any discussion that included foreign policy. For agriculture is inseparably woven into the fabric of our entire economic foreign policy, and that in turn is bound indissolubly with the military and political elements. All three together add up to American foreign policy.

Or, to make it very apt and simple, all the foreign-policy eggs are scrambled together. And as the late President Taft, who was a native of this State, pointed out many years ago, you can't unscramble an egg.

Now before I get into my subject, it seems to me a good idea to clear away some of the confusions—I might almost say the superstitions—that surround the term "foreign policy." Everywhere I go I find a tremendous interest, but I also find that many people regard our foreign policy as something so involved and mysterious that only

years of study could provide more than a superficial knowledge. These people tend to become discouraged by what appears to be a very formidable undertaking and abandon their effort to comprehend foreign policy, either as beyond their powers or as something for which they just lack the time.

Gradually I came to understand why so many people were discouraged. They were confusing foreign policy with the complex operations—the conferences, the conversations, the formal notes, all the diplomatic machinery—that are needed to get results and make our foreign policy work. They were mistaking the package for its contents.

Actually, United States basic foreign policy is so simple that it can be described in one sentence. It is the broad and flexible line of action we take to guard and advance the interests of the United States and its citizens at home and in all parts of the world, and, further, to promote and strengthen the unity and well-being of the free world.

Let me repeat that: the interests of the United States and its citizens in all parts of the world. This is the sole end of our foreign policy. If we keep it constantly in mind, we will be less confused by the apparently inconsistent decisions that are so often made in Washington. We will understand, for example, why arms are shipped to Pakistan even though the action is offensive to India; why we seek to encourage Japanese industrial expansion in the face of objection from certain American and European manufacturers; why we sell butter to Great Britain at a price below what we ourselves must pay for it. The reason is always the same—it is in our national interest.

But I do not want to commit the error of oversimplifying. If our foreign policy is easy to grasp, our national interests are very extensive indeed. They are found in every segment of the free world, and in every segment they are interwoven with a separate set of problems.

Let us look at our overall immediate interest—the preservation and strengthening of the free world against communism—in relation to some of the problems as they appear in different geographic areas.

¹ Address made before the American Poultry and Hatchery Federation at Cleveland, Ohio, on July 21 (press release 393 dated July 20).

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Our immediate neighbor to the north, the great and growing nation of Canada, is closely allied with us by language, institutions, trade, and the problem of defense. Our interests run parallel, and it is all but inconceivable that there could ever be an important conflict between the mutually supporting Canadian and American peoples.

It happens, however, that Canada is, after the United States, the greatest wheat exporting country in the world. Canada, too, has a large wheat reserve—in the neighborhood of 700 million bushels. Although the quantity is lower than our own July 1 carryover of 900 million bushels, on a per capita scale it is very much larger, for Canada's population is no more than one-tenth the size of ours. Another factor must be considered: wheat makes up the bulk of Canada's exports, whereas our own wheat constitutes only a small fraction of total exports. Thus, when the United States lowers the price of wheat by 10½ cents a bushel, as it did early in June, the impact in Canada is far greater than it is in this country—where, indeed, there was no impact at all, if only for the reason that it was taken up through an increase in the export subsidy. (I should add that there was nothing covert or unexpected in our reducing the wheat price. One of the things we have learned as our world responsibilities have increased is the importance of consultation in relation to all such matters.)

South of us, on mainland and islands, are the 20 republics known collectively as Latin America. For 131 years, since the utterance of the Monroe Doctrine, these countries have found a supporter in the United States. Especially during the past generation they have known increasingly the substance of our good will toward them. We have proved to them that we want friends, not frightened followers; strong allies, not sullen satellites. We have joined with them in the Organization of American States and in the Rio Treaty of Reciprocal Assistance. We have provided military and economic aid.

Our greatly strengthened relations must not, however, blind us to the remaining unsolved problems—nor are we blind to them. Many of them stem from poverty. Poverty is the great ally of communism. What happened recently in Guatemala, when Communist conspirators under orders from Moscow temporarily controlled the government, reflects this truth.

It is our responsibility to guard against the rise of communism elsewhere in Latin America. The principal danger points are those countries which lack diversified industries. I will cite several examples.

Chile in International Trade

Chile produces only two major products that figure in international trade—copper and natural nitrates. For some years Chile's nitrates have

been in decline, the victim, in part, of cheaper synthetic nitrates. Whereas that country once had a virtual monopoly of this adjunct to agriculture and sold upward of 3 million tons a year, today the outside world buys only 1½ million tons. The difficulty is accentuated by fluctuating foreign currencies, and the net result is that Chile's income from nitrates is less than half what it was not so many years ago.

Even more important to the Chilean economy than nitrates is copper. Possessing the world's greatest known reserves, Chile is second only to the United States as a producer of the metal. And yet the Chilean copper industry is a sick one.

The explanation lies partly in the artificial dollar-peso rate which is imposed by the government on the copper industry, partly in reduced consumption. When fighting ended in Korea a year ago, demand for copper slumped. In addition, high production costs caused Chile to lose a disproportionate share of the remaining world market. Copper stocks piled up rapidly, and within 6 months the industry faced a crisis.

To help relieve the plight of this friendly nation, the United States last March bought 100,000 tons of copper for stockpiling. Although no strings were attached to the transaction, Chile has voluntarily cooperated with the United States and restricted sales of the strategic metal to markets outside the Iron Curtain. In passing, I point out that the Soviet Union has offered to buy surplus copper from Chile. Whether the offer is bona fide or merely propaganda has not been revealed, but it is my own judgment that, if Chile should pin down the Russian offer, it would be found unacceptable either on the basis of price or for some other reason peculiar to the bargainers in the Kremlin.

Another serious dislocation in the Chilean economy is food production. During the past 10 years the Government of Chile has concentrated its energies on expanding and diversifying the nation's economy. In this effort U.S. private industry has played an important part. The Anaconda Copper Company, for example, has invested \$130 million in the copper business. Textile, cement, and tire factories have been built. A large steel mill has been erected with the aid of a \$58 million loan from the Export-Import Bank. A number of smaller concerns have been established. But—all of this has been accomplished only by sacrificing agriculture production.

That had not been intended, of course. It came as the inevitable consequence of high—relatively high, that is—industrial wages. Farms were left undermanned, in many cases deserted, as the workers rushed off to the towns and cities. The broad result is that Chile, once a food-exporting nation, is now obliged to import—an almost insupportable luxury for a country with insufficient foreign exchange.

The Government of Chile is now attempting to

bring about a partial reversal and encouraging some of its ex-farmers to return to the soil. This process, however, is a slow one. As those of you who are farmers know, you can't leave your fields for half a dozen years and resume harvesting the next day. First of all, there isn't anything to harvest. More important, the soil has become overgrown, and if you lack machinery, it is a tough job to get it back in shape for planting. Time and capital are needed, and the second of these ingredients is in very short supply in Chile. The ordinary farmer can't even buy fertilizer, and it is supremely ironic that a land with literally millions of tons of natural nitrates is underfertilized!

Here again the United States has given a hand. The Foreign Operations Administration has sent technicians and demonstrators to Chile to assist the country in restoring its agriculture at least to the point of self-sufficiency.

Bolivia In the World Market

I turn now briefly to Bolivia.

If Chile is a two-export country, Bolivia enters the world market as a seller in only a single field. Upward of 95 percent of the total consists of minerals, and the bulk of that—70 percent—is tin. When tin is in great demand, Bolivia prospers. When the market is glutted, Bolivia suffers severely. Last year tin dropped from an earlier high of \$1.70 a pound, delivered in New York, to 80 cents. The causes of the drop were various, but the underlying cause was a saturated market. Annual world consumption is around 120,000 tons. Annual production—more comes from Southeast Asia than from Bolivia—had for some time been around 150,000 tons.

The break in the price of tin was compounded by a phony foreign-exchange rate—note the similarity in this respect between Bolivia tin and Chilean copper. Within a few months the already shaky government was financially prostrate. Lacking foreign exchange of any sort, Bolivia could not import desperately needed foodstuffs, for here is another Latin American Republic that doesn't grow enough for its minimum requirements.

By last summer large sections of Bolivia were on the edge of starvation. In July, when the President's brother, Mr. Milton Eisenhower, was on his special mission to South America, the Bolivians appealed directly to him for aid. As a result, the Commodity Credit Corporation was authorized to make an outright grant of 5 million dollars' worth of foodstuffs. Wheat and flour in this amount were shipped, and in March of this year another 3 million dollars' worth was added, plus 4 million dollars' worth of other agriculture products, machinery, and tools.²

These emergency measures were taken for the

² BULLETIN of Oct. 19, 1953, p. 518, and Mar. 29, 1954, p. 468.

sole reason that help was urgently needed. No payment of any kind was asked. No conditions of any kind were imposed. But we have already been amply repaid. A government that was in danger of being dominated by extreme leftists has changed its complexion and moved a long way from the Communist line that was showing signs of forming less than 2 years ago.

Long before the crisis of 1953 we had been assisting the Bolivians to establish a self-sufficient agricultural economy. Forty-four specialists from the United States are working in Bolivia now. In another 2 years a famine in that land-locked country should be virtually impossible, and within another few years it is expected that Bolivia will be self-sufficient in such basic foods as wheat, corn, and sugar.

We have, in addition, helped Bolivia to overcome the major problem of transportation. The Export-Import Bank has advanced \$29 million for highways that will join hitherto almost totally separated areas of this mountainous country.

All of this, of course, falls somewhat short of a complete solution. Bolivia's prosperity will continue to fluctuate in response to the behavior of the world tin market. But in the clearly visible future those fluctuations may be expected to have a lower limit comfortably above the starvation level.

I have used Bolivia and Chile to illustrate our foreign policy in action both because agriculture is directly involved and for the reason that these countries provide dramatic applications of the good-neighbor doctrine. It would be possible to continue with other important situations, but time will not permit me to elaborate further on Latin America. I will wind up by saying that a conference of American states will be held later this year at Rio de Janeiro to discuss hemisphere economic problems and that heavy work lies ahead for the United States. With few exceptions the Latin Republics feel that since the end of the war we have been slighting them in favor of friends in other parts of the world.

It is undeniably true that we have contributed more heavily to the nations of Europe and certain parts of Asia, but it is equally true that our national interest has required that we do so. Their problems have been more acutely urgent than those of Latin America, and we have been forced to be selective, not on the basis of worthiness but on the basis of our national interest. Even the vast resources of this Nation cannot supply all the lacks of the entire free world.

Western Europe

Let us look next at Western Europe, which we necessarily regard as our chief bastion against the encroachment of communism. Here some 275 million people live on the free side of the Iron Curtain. If these freedom-loving Europeans, with

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their natural resources, their varied skills, and their high productive capacity, should be absorbed into the Soviet system, the total weight against us might be heavier than we could bear.

Our national interest requires that the free peoples of Europe remain free. That is why we put the Marshall plan into action in 1947 and why we have since continued to support the mutual security program. That is why we have helped to create NATO—the North Atlantic Treaty Organization. And that is why we are so deeply concerned at this very moment about the ratification by France and Italy of EDC—the European Defense Community.

Since the end of the war we have contributed billions of dollars in military and economic aid to Western Europe—and the investment has paid off. Communism has lost ground. The Red army has not advanced. Agriculture is flourishing. Industrial production is higher than at any previous moment in history.

The indispensable counterpart of consumer goods is consumers. If markets are restricted by barriers of one kind or another, the producer of goods suffers, whether he be factory owner, artisan, or humble sweeper. Some barriers to trade are physical: the mountains of Bolivia, now for the first time being traversed by adequate highways, are an example. But the only really important trade barriers left in the world today are artificial. We will not, for example, countenance the sale of strategic goods to the Communist countries. Even more universal is the barrier of tariffs.

Now it is not my purpose here today to go into a broad discussion of this very difficult subject. Nevertheless, since the industrial history of the United States is in substantial measure a history of tariff legislation, it is important that we take a quick look at some of the forces that cause tariff barriers to be erected.

Up to the time of the First World War the United States was normally a heavily protectionist country. The manufacturing interests usually succeeded against the agricultural interests and elected Congresses that voted for high tariffs to protect the "infant industries." The underlying economic cause of the Civil War was antagonism between the industrial North and the agrarian South.

Radically altered circumstances, chief of which was the emergence of the United States from World War I as a creditor nation, brought about a gradual revision of attitude toward protectionism. It was not so much the philosophic realization that a country which persists in producing things which it can purchase more cheaply abroad reduces the total quantity of goods available to it and to its trading partners that caused us to revise our attitude. It was, instead, the irresistible logic of hard facts. We discovered that, if we wanted to sell goods to a debtor nation, there were only two ways in which the debtor could get dollars

to pay for them. One was to lend it more money. The other was to let it earn dollars by selling its own goods in this country.

In the long run, we found that further loans were destructive to both borrower and lender. We have thus been forced to face the facts of life and, to our overall advantage, buy more goods abroad. Any other course would have been destructive to our own economy. For not only would refusal to buy foreign goods pinch the seller—it would compel our own manufacturers to reduce their production in exactly the same amount as we failed to buy from abroad. The real clincher is that lower domestic production would reduce the American standard of living.

I would not pretend to you that tariffs have been eliminated, or even that I believe they should be eliminated except, perhaps, over a relatively long term of years. We have some industries that require an intelligent method of protection. I do, however, believe that a gradual lowering of tariffs will be beneficial to the United States as well as to the countries which would directly profit. President Eisenhower stated my own position as well as his in a message to Congress several months ago:

Together we and our friends abroad must work at the task of lowering the unjustifiable barriers—not all at once but gradually and with full regard for our own interests. In this effort, the United States must take the initiative and, in doing so, make clear to the rest of the world that we expect them to follow our lead.

It is against this background that our support of the International Monetary Fund and the General Agreement on Tariffs and Trade takes on added significance. These are the instruments through which we try jointly with other countries to establish a world trading system that will provide a real basis for high standards of living and a maximum contribution to military security.

There may be nothing dramatic about technicians of 34 countries spending months of laborious effort negotiating an agreement involving 8,800 multiple-way tariff concessions. And it may take years before the full economic effects of the action will be realized. But the fact that the results may be imperceptible from day to day does not reduce their importance. In setting our foreign policy goals we look far beyond tomorrow, and our foreign policy must therefore also be directed to building the long-run strength of the free world as well as to dealing with today's or tomorrow's crisis.

Now so far as Western Europe is concerned, there is little difficulty between ourselves and its peoples on the agricultural side. On balance, food is imported, not exported from Europe. At the same time, those countries which specialize—Norway and fish; Denmark and butter; Italy and cheese—to mention a few and to keep it very simple—are very seriously affected by tariffs, and especially so when they are suddenly imposed or

increased. Fishing is a major industry in Norway, and, if fish is excluded from one foreign market, the nation's entire economy is thrown out of joint.

Another aspect of the European food market is revealed when we examine the problems of competitors in that market. Europe is an important purchaser of wheat, and quite naturally the buying countries take full advantage of competitive prices. One of our responsibilities is to refrain from disposing of our surplus cereal to the detriment of other wheat-exporting nations, of which Canada, Argentina, and Australia are the most important. If we sold our wheat, or even if we gave it away, without regard to the impact on those countries, we would be guilty of committing a grave economic sin—and one that would cost us dearly in the end. We have to be careful in another direction. Recently, when we sent wheat to both India and Pakistan to forestall famine, we had to bear in mind the effect of those gifts on the rice-exporting countries of Burma and Thailand. For India and Pakistan are normally importers of rice, and there was the very real danger that we might deprive Burma and Thailand of part of their outlet, with resultant ill effects on their respective economies and on our relations with them.

In this discussion it has been possible only to pull out a few strands of the vastly complex international web, and no doubt I shall disappoint some of you by failing to lay hand on other equally significant strands. I have tried, however, to show you the general pattern, if only for the reason that it would take a full team of specialists a week or longer to unravel all the threads for close scrutiny.

Japan

One subject I cannot neglect is Japan. Our security plans in the Far East include the development of this country as an outpost of strength in the free world's efforts to stem possible Soviet aggression in that area. To achieve this objective Japan must assume the major responsibility for her own defense and become a defense base for the area as a whole. These military objectives cannot be achieved unless the Japanese economic position markedly improves.

With an arable area less than that of California, Japan must support a population of 88 million. Under these circumstances, Japan is dependent on international trade and must export goods to earn the currency needed to purchase vital food, raw materials, and other imports.

Japan's trade today is gravely out of balance. The 1953 trade deficit was over a billion dollars.

Much of the deficit of recent years has been made up through our special expenditures in Japan related to the war in Korea. With the fighting over—permanently, we all hope—the slack will have to be made up either through subsidy by the American taxpayers or by developing adequate trade possibilities with the free world, especially with those portions within the area of South and Southeast Asia which possess many of the physical resources needed by Japan.

The latter solution is obviously the desirable one. It is rendered peculiarly difficult, however, by the natural attraction of trade with mainland China and Manchuria, important trading areas for Japan before World War II.

Here again we have a politico-military objective which can only be met if certain basic adjustments take place, and we have been seeking to bring about the necessary adjustments.

We have assisted in the economic development of the South Asia region. The ultimate results should raise standards of living and increase the market for products of the free world, including Japan. Now under examination are plans that are expected to aid the modernization of Japanese productive facilities through the extension to Japan of a program of industrial technical assistance.

Of major significance have been our efforts to influence the accessibility of Japanese goods, both in the United States and in other free countries. In the process we have encountered opposition from a number of American interests; the West Coast tuna industry is one example. There is also a deep fear of a resurgent Japan on the part of Australia and other countries of the area. Nevertheless, some limited success was achieved last year under pressure from the United States when the contracting parties of the General Agreement on Tariffs and Trade permitted Japan to associate with the group and to acquire some of the rights of a contracting party.³ Major further strides can be made through concrete steps on the part of the United States to lower its tariffs on Japanese goods and through making concessions to other countries which will in turn make it possible for them to open up their markets to Japanese products. We are now endeavoring to gain the authority to take these steps.⁴

³ *Ibid.*, Nov. 16, 1953, p. 677.

⁴ From this point on, Mr. Morton spoke extemporaneously.

The Significance of the U.S.-Puerto Rican Relationship

by Henry F. Holland
Assistant Secretary for Inter-American Affairs¹

It is my great privilege to bring to my fellow citizens of Puerto Rico and to your distinguished Governor Muñoz greetings from President Eisenhower, who sends cordial congratulations on the accelerated progress of the Commonwealth and his sincerest wishes for your prosperity and happiness. During the past year, the President has been observing with personal interest and with gratification innumerable evidences of the patriotic solidarity of the Commonwealth with the United States. It is his belief that this anniversary, the Commonwealth's second milestone, is a date of great significance for the United States as well as for Puerto Rico. It is significant for both because it is an historic date in the relationships of peoples. It commemorates a new and decisive event in such relationships; and we can celebrate each succeeding anniversary with increasing pride and satisfaction.

Recognition of the increasing stature of Puerto Rico is widespread. Since the celebration of the Commonwealth's first anniversary, one year ago today, the General Assembly of the United Nations has acknowledged the self-governing status of the Commonwealth; and governments round the world have taken advantage of Puerto Rico's generosity in making available to other peoples the fruits of its own experience in developing and adapting techniques and applying them with its own brain, sweat, and muscle to the solution of its own problems.

Governor Muñoz once said that Puerto Rico would become a technical assistance laboratory for the underdeveloped areas of the world. That prophecy has already been realized in large part. One evidence of this is the international technical cooperation training center, established here by a contract between the Government of the Commonwealth and the Foreign Operations Adminis-

tration which became effective on the first of the present month.² I understand that under this contract, during fiscal year 1955, the center will train in the fields of industry, trade, and agriculture some 70 participants from British, Dutch, and French Caribbean areas and about 500 from other areas the world over. These visitors will not only receive from you the technical training so greatly needed to improve living conditions in their own lands, but will see for themselves what no visitor to Puerto Rico can fail to see: the vitality of democracy in action; the practical achievements within the reach of a people determined to help themselves; the rewards that crown sincere good will, wise planning, and cooperative efforts.

I have heard visitors from many countries returning from Puerto Rico say the same thing in one way or another: that nobody really believes what he is told about your achievements here until he comes upon them face to face, sees them firsthand. From previous visits to Puerto Rico I can testify that this is a fact from my own impressions. Puerto Rico is proof positive that a people who are determined to better their lot can raise their living standards and enlarge their opportunities by their own consistent, united efforts.

What you have done here in this line has made the phrase "Operation Bootstrap," which I am told Governor Muñoz originated, a part of the English language. It is quoted in newspaper headlines and newspaper columns and on the floor of the United States Congress. In fact, not long ago it was used without attribution by a member of the British Parliament in recommended action for British overseas areas. I look to seeing "Operation Bootstrap" included in the next edition of the dictionary, as it is already included in the minds and vocabularies of men and women everywhere who believe a people, like an individual, goes farthest and most surely when it is impelled by its own grit and initiative. And in this, I am convinced that Puerto Rico is an example of free

¹ Address made on July 25, the second anniversary of the inauguration of the Commonwealth of Puerto Rico, at San Juan, Puerto Rico (press release 399 dated July 23).

² BULLETIN of July 12, 1954, p. 57.

world enterprise which should hearten enslaved and oppressed peoples who are still in the dark area of Communist colonialism.

Let me express again my pleasure in being here and in bearing President Eisenhower's message of greeting and good will. I cannot claim Puerto Rico as a birthplace, as could my predecessor and good friend, Edward G. Miller, Jr.; but my own native State of Texas has Puerto Rican ties of its own. To mention only three of them, you will recall that a fellow-Texan, the late George C. Butte, was Attorney General of Puerto Rico and several times Acting Governor, from 1925 to 1928; and another distinguished Texan, James R. Bev-erley, who was later Governor of Puerto Rico, is

still one of your useful citizens; while your Under Secretary of State, Arturo Moyales Carrion, like many other young Puerto Ricans, carried on his graduate studies at the University of Texas.

The ties between Puerto Rico and not merely one but all the 48 States, and Puerto Rico's ties with the United States as a whole—the greatest tie of all being, of course, our common citizenship and our mutual heritage of freedom—strengthen inter-American friendship. They bulwark hemisphere solidarity and in so doing help to maintain freedom already achieved by extending the boundaries of the free world and therefore the hope of mankind.

The Impact of the United States on Latin America

by W. Tapley Bennett, Jr.

Deputy Director, Office of South American Affairs¹

It seems particularly fitting that you have chosen to conclude this series concerned with America's impact abroad with a consideration of the impact of the United States on Latin America. For it is only natural that in no other part of the world as in this hemisphere have the interests of our country been so long and constant or our ties of relationship so consistently maintained and cherished.

From the earliest days of European colonization in the New World, we have shared similar experiences with our neighbors to the south—wresting a civilization from the wilderness, being colonized alike in the Christian faith, developing a devotion to republican ideals, desiring liberty for ourselves and our children, and not hesitating to take up arms to achieve that liberty from our mother countries. Latin Americans such as Bolívar and Miranda offered support and encouragement to us in our revolution. Haitian troops fought at the Battle of Savannah and were at Yorktown.

The achievement of North American independence excited at once a profound influence and a

strong encouragement on the aspirations toward national freedom of the colonies of the Latin nations in Central and South America. Philadelphia was known everywhere in Latin America as the Capital of Freedom. Americans like George Washington, Benjamin Franklin, John Quincy Adams, Henry Clay, and Joel Poinsett lent their aid and counsel to the struggle for liberty, and the United States was the first power to recognize the independence of the new republics as they were formed, one by one. Latin American patriots, like our own, had been inspired in their thoughts on the organization of government by the writings of Montesquieu and Tom Paine, and, when freedom had been won, they took our Constitution as a model for their own. *The Federalist* papers were translated into Spanish by a Peruvian priest and printed in Philadelphia for distribution throughout Latin America.

The Monroe Doctrine was enunciated in 1823 precisely to protect our security and their newly won independence and to permit all the nations of this hemisphere to grow to maturity free from the shadow of domination by any transoceanic power. As early as 1826 efforts were being made to put into practice Bolívar's great dream of hemispheric unity, and in 1889 representatives of the nations of this hemisphere met in Washington on

¹ Address made before the Pennsylvania State University Institute on World Affairs and International Cooperation, State College, Pa., on July 23 (press release 412).

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invitation of the United States to establish the Pan American Union, which now, as the Organization of American States, is the oldest of all the regional international organizations.

It has, in fact, become a habit in this hemisphere to blaze new paths in peaceful international collaboration, and the principles and techniques developed here have then often spread to other parts of the world. It was with the other American Republics that we began our exchange of students program which has since become a global policy of the United States. That program brings to Penn State and to our other great universities so many promising young people from all parts of the world (something over 10,000 from Latin America alone this year) and sends them home again, not only with superb training in their chosen fields but with something even more significant as regards the impact of our country abroad—it gives them overwhelmingly an understanding of our way of life which they can impart to others, a knowledge of us as we really are, with which they can answer the voices of international discord and counter the disciples of denigration.

It was also in this hemisphere that first we evolved what has become a cardinal tenet of United States foreign policy—our technical cooperation program. In the Americas we began well before World War II with the sharing of United States techniques in grass roots projects for the betterment of the everyday life of individuals—better schools, better health, better agricultural methods, better roads—in the spirit of very practical altruism which believes that, as at home, healthier and more prosperous neighbors make warmer friends and stronger allies, in short, a better neighborhood.

Again, the Rio Treaty of 1947, with its common defense principle of all for one and one for all among the American Republics, was the forerunner of the North Atlantic Pact and the NATO arrangements. The alertness of our hemisphere defense system was evidenced only last month through the preparations of the American States to proceed with necessary action on the Guatemalan case—action which fortunately did not have to be taken.

The political system which we and our neighbors in this hemisphere have built together is unique in the world—a roundtable at which all sit and have the same rights, a system which has a record of peaceful settlement of disputes among its members that is unparalleled elsewhere on the globe, and, incidentally, a unity of outlook which carries over into the United Nations on the major world issues of today and sustains the positions of the free world time after time.

If we turn now from historical and political considerations, we observe that the economic impact of our country in Latin America in these times is extraordinary. How can it be otherwise when the United States, one among the 21, is roughly the equal of the other 20 in population? When the

United States has a national income eight or nine times that of the combined national incomes of all the other 20?

These disparities obviously bring difficulties—and not all of them economic. We must in candor recognize that the inescapable effect of our economic stature and power does not always proceed in full understanding. It is only natural that there should be stresses and strains from time to time in our hemisphere relationship, especially when it is a relationship based on voluntary co-operation founded on equal rights, with no possible thought on either side that it might descend to the willful exploitation and the ruthless terror exercised by the Soviet Union in the master-slave relationship which it has developed with its near neighbors.

Trade Relations

In trade relations, for instance, our impact on Latin America is enormous. Our ravenous industrial and defense machine buys fully 50 percent of all of Latin America's exports. It provides that area with half of the precious foreign exchange with which it buys foodstuffs, automobiles, machine tools, toothbrushes, finished goods, and all the range of our national production, both agricultural and industrial. This might be called reciprocal impact, since in all the world only Canada buys more from us than do the Republics to the south.

The field of trade relations offers a prime example of difficulties caused by disparities in size and purchasing power. While in the last 15 years the prices of Latin American exports have risen much more rapidly than the cost of the things they must buy and have helped to provide a favorable balance to apply to their industrialization programs or other needs of their growing populations, the other American Republics for the most part still depend on the export of one or two products for their foreign exchange. There are copper and nitrate in Chile, tin in Bolivia, petroleum in Venezuela, sugar in Cuba, coffee in Brazil, Colombia, El Salvador, and Guatemala. The United States market, as Dr. Milton Eisenhower concluded in his "Report on United States-Latin American Relations,"² is indispensable to their well-being. Shifts in U.S. purchases or in consumption habits with respect to a given commodity, which may be so minor with us as to pass unnoticed outside the immediate area affected, can have cataclysmic results in the life of a country which depends on the proceeds of the sale to us of that commodity to buy bread for its people. Small wonder that our Latin American friends take an absorbing interest in our tariff policy. One slight flip of the tail of the whale can capsize the row-boats in the surrounding sea.

² BULLETIN of Nov. 23, 1953, p. 695.

Private Investment in Latin America

For generations United States private capital and investment have played a significant role in the economic development of Latin America. It is necessarily a complementary role, for local capital and local initiative must obviously do the principal job. In their truly phenomenal economic growth since World War II, our Latin American neighbors have marked up an annual increase of 2.5 percent per capita output over population growth (and their population is growing at the fastest rate of any region in the world). This annual increase of 2.5 percent exceeds the United States average annual per capita growth of 2.1 percent during the period of our great expansion from 1869 to 1952. If it can be sustained in the years to come, it will work wonders throughout Latin America.

It is estimated that over 90 percent of the funds that have gone into this recent development have come from Latin America's own savings. This is as it should be, and the credit for the remarkable progress of recent years belongs primarily, of course, to Latin Americans themselves. Still, the importance of United States direct private investment in the other American Republics, which now totals more than \$6 billion, may be measured by the fact that, with the exception of Canada, it exceeds the amount of U.S. investment in all the rest of the world. And this United States capital has often been the bellwether, the pacemaker in the development of new industries and new techniques. Or, through investment in such fields as transportation, power, fuel, banking, shipping, or agriculture, United States capital has often been instrumental in providing the base on which a healthy and diversified modern economy can be built.

We must remember that our most widespread contact in the other Republics is through the operations of the United States companies which have invested these \$6 billion. The representatives of United States business abroad are overwhelmingly devoted to the advancement of their host country, and they identify themselves with its progress.

Here again, however, size brings problems. The individual United States investment is often very large in comparison to local enterprise—and it is foreign. At the present time it is caught up in the tremendous tide of social ferment sweeping over Latin America. Despite its often decisive contributions to national growth and development, despite its customary practice of paying higher wages and furnishing more benefits than local employers, despite its generosity to local community needs and its strong encouragement of educational and training opportunities for local youth, the United States company is all too often a ready-made target for the homegrown demagogue, the ultranationalist, or the foreign-inspired radical.

In many cases the attackers and their listeners overlook the fact that the rail lines would not have been laid, that the oil wells would not have been brought in, that the ore would not have been processed, that the irrigation canals would not have been plotted had it not been for the resources and experience of foreign capital allied with local initiative. The public utility is often prevented through inequitable rates from expanding its facilities to meet the growing needs of the very community it serves.

From the attack on United States private enterprise, it is but a short step for the ultranationalist to move on to score the United States as a whole and to challenge and decry its motives. Ultrナationalism, with its demagogic slogans, its aggravated suspicions, and its willful blindness regarding the true long-range interests of the nation, is a principal brake on Latin American progress today. The activity of ultranationalists offers welcome opportunity to the Communists, and the two often join in tacit cooperation.

But if there are determined elements in Latin America working against our goals—if there are elements which divide hemispheric solidarity and which view the Kremlin complacently as a useful counterweight in international politics to the colossus of the north, which think more of selfish advantage than their nation's interest—and if these forces are sometimes supported for local political reasons by more responsible elements—we should not forget the deeper and more important currents which are bearing hemispheric relations on toward common goals.

For we have been talking of generally measurable activities and achievements in the political and economic spheres, whereas we of the West, who reject the materialistic and atheistic base of the Communist system, are convinced that the final reckoning must be made not in the light of those measurable events, important as they are, but on the immeasurable concepts and aspirations of the individual under God. Therein lies the historic promise of America. The impact of our country on the other nations of the New World is the impact of individuals. It is as old as the Yankee trader going forth in his clipper ship. It is the impact of the irrigation expert who brings water to a barren plain. It is the impact of the teacher who opens new vistas to the youthful mind. It is the impact of the nurse who brings relief from a long-time pain. It is the Man of God who illuminates our common heritage of faith. It is the ambassador whose personal character turns the course of relations into warmer and more fruitful paths. It is the agricultural specialist who raises the yield of corn threefold. It is, in sum, the efforts of all our citizens working together in a free community for a better way of life to be shared by all.

The Latin American believes, as we do, in this

community of free men. He believes in hemispheric solidarity. He knows the United States practices democracy at home, desires peace in the world, and harbors no territorial ambitions. He has faith in our essential idealism and in the basic sincerity of our approach. He shares with us the conviction that in this hemisphere we are still building, striving to fulfill the great promise of a "New Order of the Ages."

Secretary Dulles, in his address to the Tenth Inter-American Conference at Caracas last spring,³ spoke of this mutuality of interest in the following words:

The unity which generally prevails between us . . . is nothing that is artificial. It is not, indeed, primarily geographic. It is a unity which exists because of a harmony of the spirit.

It has been my experience that the Governments of the American Republics usually act alike internationally because their peoples believe in the same fundamentals.

We believe in a spiritual world; we believe that man has his origin and destiny in God; we believe that this fact requires human brotherhood.

We believe that, just as every human being has dignity and worth, so every nation great or small has dignity and worth and that international relations should be on the basis of mutual respect and equal dignity.

Requisites for Good Hemispheric Relations

Dr. Eisenhower in his report to the President suggests five requisites for good relations among the nations of this hemisphere, and I should like to call them briefly to mind. First, he speaks of the necessity for understanding among governments and people—a genuine understanding of and sympathy for one another's problems and purposes—so that from that understanding may flow successful cooperation in political, economic, military, and cultural fields.

Second, he stresses the need for mutual respect, especially important in relations between large and small countries since nations, like individuals, have dignity and pride. This requisite leads directly to one of the primary principles of our inter-American system, the nonintervention policy. We do not intervene in the domestic affairs of other countries in this hemisphere. We do not go into their countries and tell them how they must run their affairs. We cannot do that if we are to have good relations.

A third requisite calls for the sovereign equality of states—a concept inseparable from mutual respect.

His fourth requisite deals with the need for mutual security and an adequate system of common defense.

His fifth requirement emphasizes the need for a firm adherence to mutual goals and discusses some of the objectives held in common in the Americas, such as goals of permanent peace, freedom, independence, rising levels of economic well-

being, the advancement of democratic processes, the attainment of spiritual values.

We are advancing in this hemisphere toward a full realization of these requisites for an abiding cooperation between the United States and the other Republics of this hemisphere. Many of these requisites have already been achieved. Problems remain, of course, and some of the barriers in our path are difficult ones. But the main course moves steadily onward.

Citation of French Nurse

White House press release dated July 29

President Eisenhower presented the Medal of Freedom with Bronze Palm to Mlle. Geneviève de Galard-Terraube on July 29 with the following citation:

Mademoiselle Geneviève de Galard-Terraube, French Airborne Nurse, by her ministrations to the sick and wounded at Dien-Bien-Phu, inspired and heartened the entire free world. Her service to her comrades, marked by the courage of a woman in battle and by the devotion of a nurse to her sworn duty, has been unsurpassed in this century. Her supreme fortitude in hours of peril, her unfaltering dedication to her mission reflected the greatness of spirit manifested on many fields, in many centuries, by the soldiers of France.

The Republic she serves so nobly has been an ally of the United States for 178 years. The continuing friendship between the peoples of the two Republics is symbolized today in their joined salute to Mademoiselle de Galard-Terraube. Her service at Dien-Bien-Phu reflects great credit upon herself and her country and the cause of freedom around the world.

Berlin University Thanks American People for Aid

Following is the text of a letter to Secretary Dulles from the rector of the Free University of Berlin.

JULY 13, 1954.

DEAR MR. SECRETARY: I feel honored to convey to you, from myself personally as well as from the teaching staff and the student body of the Free University of Berlin, our heartfelt thanks for the kind message you sent us on the occasion of the dedication of our new buildings.¹ We were deeply touched by your message expressing sympathy with and interest in the objectives of the Free University of Berlin the attainment of which is our most important task.

³ *Ibid.*, Mar. 15, 1954, p. 379.

¹ BULLETIN of July 5, 1954, p. 13.

It is a great honor for me and a genuine pleasure to thank you and, through you, the American people for the material and spiritual support granted the Free University of Berlin since its foundation. You may be sure that we shall always strive to keep alive the spirit of free inquiry and thereby we join hands with the American people who have, as the past has shown, always defended that intellectual freedom which is needed everywhere.

Sincerely yours,

Professor DR. ERNST E. HIRSCH.

International Bank Announces First Loan to Austria

The International Bank for Reconstruction and Development on July 19 announced its first loan in Austria. The loan will be in European currencies, expected to be Italian lire and Swiss francs. It will help to finance the Reisseck-Kreuzeck hydroelectric power project being constructed in southern Austria. The project will make more power available to industries and will enable Austria to increase power exports to Italy. It represents an important step in the realization of Austria's large hydroelectric potential, which is one of the chief natural resources remaining to be fully developed in Europe.

The coborrowers are the *Draukraftwerke* (Drau River Power Company) and the *Verbundgesellschaft* (Austrian Electric Power Corporation), the Government-owned company which as part of its national power network controls the operations of the *Draukraftwerke*. The *Verbundgesellschaft* system serves seven of Austria's nine provinces, and the companies it controls supply about two-fifths of the public power consumed in Austria. The area served includes Vienna and most of Austria's industrial centers.

The project will harness the potential power in a number of lakes and small streams situated in the Reisseck and Kreuzeck Mountains, a part of the Austrian Alps, which flank the valley of the Moell River. At completion, which is expected at the end of 1958, it will add 112,000 kilowatts to generating capacity in Austria.

Austria's rivers are fed largely by melting snow from the mountains. In winter, they virtually dry up and can supply little water for hydroelectric power; the electricity networks have to depend heavily on thermal power during this period. An important feature of the Reisseck-Kreuzeck development is that it provides for water storage and the generation of hydroelectric power in winter as well as summer.

As part of the project, four natural lakes high in the Reisseck Mountains will be made to serve as reservoirs and another artificial reservoir is being constructed. Together, they will have a

capacity of 18 million cubic meters. The fall in elevation of some 5,800 feet to the main power station will be the longest in the world and will generate an extraordinarily high output of power per cubic meter of water. In the summer, when there is a surplus of water and power, a pumping station will return water up to these reservoirs for storage and power generation in the winter months. This will make possible increased supplies of power for Austrian industries and for industries in northern Italy, which likewise experience winter shortages of electricity.

The total cost of the Reisseck-Kreuzeck project is estimated at 898.7 million schillings (\$34.5 million), of which the equivalent of \$9.8 million had been spent at the end of 1953. The bank's loan will provide the equivalent of \$12 million of the funds required to complete the project; the remaining \$12.7 million will come partly from the funds of the *Draukraftwerke* and partly from the shareholders (the Federal Government, the provinces of Carinthia, Styria, and Lower Austria, and the city of Vienna).

U.S. Director of International Bank

The Senate on July 24 confirmed Andrew N. Overby to be United States Executive Director of the International Bank for Reconstruction and Development for a term of 2 years.

Technical Cooperation Program In Somaliland

The Foreign Operations Administration announced on July 16 that the Italian Government and FOA have established a joint technical cooperation fund to help improve the economy of the Trust Territory of Somaliland under Italian Administration.

The fund, totaling the equivalent of \$1,200,000, will finance a series of technical cooperation projects, mainly in the fields of agriculture, public health, and education. The U.S. contribution will be made in two parts: \$300,000 for the purchase of goods and services in dollars and the equivalent of \$300,000 in Italian lire from part of the proceeds of the sale of U.S. surplus agricultural commodities to Italy. The Italian Government will contribute the equivalent of \$600,000.

The purpose of the fund is to help the people of Somaliland to develop the resources of the territory and encourage the flow of investment capital into the area, with the objective of improving living standards and working conditions of the Somalis.

As the first step in the technical cooperation program, two experts from South Dakota State College—Dean of Agriculture W. W. Worzella

and Dean of Animal Husbandry A. L. Musson—recently arrived in Somaliland to make detailed plans for a livestock improvement program to be carried out by the college over the next 3 years under an FoA contract.

A territory of 194,000 square miles on the east coast of Central Africa, Somaliland, formerly an Italian colony, is administered by Italy under a United Nations trusteeship, pending the attainment of full independence in 1960. The technical cooperation fund is expected to assist Somaliland in its efforts to prepare for independent status.

Eximbank Authorizes Credit for Purchase of U.S. Cotton by Japan

The Export-Import Bank of Washington announced on July 26 that it has authorized a credit of \$60 million in favor of the Bank of Japan to finance the purchase and export to Japan of cotton of United States growth. This is the fourth credit of this type to be authorized in favor of the Bank of Japan since 1951, the total of the four credits amounting to \$200 million. Drafts issued under previous lines have been met promptly and often prior to maturity.

At current market prices approximately 330,000 bales of cotton can be financed by the credit which will be available through July 31, 1955. The cotton will be sold through commercial trade channels and financed by letter of credit.

In recent years, Japan has been the largest market for U.S. export cotton. During the 1953-54 crop year Japan has taken 950,000 bales of U.S. cotton or approximately 25.7 percent of total exports from the United States, which will reach an estimated 3,700,000 bales by July 31, 1954.

Eximbank Announces Loans to Ecuador and Philippines

ADDITIONAL CREDIT FOR QUITO WATER SUPPLY PROJECT

The dollar financing necessary for purchases of U.S. equipment and services to complete a modern citywide water-works system for Quito, the capital city of Ecuador, will be provided by the Export-Import Bank of Washington, according to an announcement on June 30 by the President of the bank, Maj. Gen. Glen E. Edgerton. The bank has increased by \$3,650,000 a line of credit which was first established in 1947 to aid in financing the first stage of the Quito water-supply project.

Quito has been engaged in modernizing and extending its water supply and distribution system

since 1941. After a cutback of activity during World War II, construction and engineering efforts pressed forward with the aid of the Export-Import Bank's credit of \$4,000,000 in 1947. Those funds, along with substantial Ecuadorian financing, have brought the overall project well beyond the halfway point. With the additional financing assured, the Quito water system should be in full operation by the end of 1956.

One of South America's oldest cities, Quito is located at an altitude of nearly 10,000 feet on an Andean plateau. It has been selected as the site for the next Inter-American Conference of Foreign Ministers, which this year was held at Caracas, Venezuela. Completion of a modern water-supply system for the city has become vitally necessary to accommodate an increasing population, now beyond the 200,000 mark, and to meet the demands of developing industry and tourism.

The additional credit extended by the Export-Import Bank will be devoted principally to construction and installation of a water-distribution system. A part of the credit will be used to complete the new water-treatment and purification plant and for new pumping stations. Work will continue under the supervision of a U.S. firm which has designed the new system and supervised most of the construction work to date. The term of the new financing by the bank will be 15 years at an interest rate of 4½ percent. The Export-Import Bank has also financed a substantial portion of the costs of a modern, expanded water-supply system for Ecuador's principal commercial port of Guayaquil. The Guayaquil project, also designed and built under U.S. engineering supervision and primarily with U.S. manufactured equipment and materials, was completed in October 1950.

Since 1942 the bank has authorized 14 loans to the Republic of Ecuador and its agencies and local governmental units. Over \$22 million has been disbursed under these loans, which, like all Eximbank credits, have been for specific purposes or projects. Approximately \$6 million has already been repaid by Ecuador, and repayments on all Ecuador's outstanding obligations to the bank are current. The bank's financing in Ecuador has been chiefly in the fields of transportation and water supply. Bank funds made available to Ecuador have been spent under projects in these fields for large-scale purchases of U.S. capital goods items, including construction equipment, machinery, materials, and supplies of many types from numerous U.S. manufacturers and suppliers. Since the inception of the bank's lending activities in Ecuador, total U.S.-Ecuadoran trade volume has increased from \$15.9 million in 1941, when the war had already cut off many world markets, to \$86.4 million in 1953.

The Ecuadorian Ambassador to the United States, Dr. José R. Chiriboga, who was Mayor of

Quito from 1948 to 1952, expressed his Government's appreciation for the loan assistance being provided by the United States through the Export-Import Bank. He emphasized the economic contribution which soundly conceived and financed projects of this type were making to his country and the continued political ties of friendship evidenced by such assistance. Speaking for the bank, General Edgerton added that the impetus given to Ecuador's productive capacity and purchasing power as a result of projects to which U.S. financial assistance has been extended will mean a great deal in expanding trade and investment opportunities for private capital and to the general economic benefit of both countries.

NEW TYPE OF LOAN TO HELP SMALL BUSINESS IN PHILIPPINES

Establishment by the Export-Import Bank of individual lines of credit to five Philippine banking corporations to enable them to assist small businesses to purchase U.S. machinery, equipment, construction materials, and services was announced on July 6. These lines of credit, aggregating \$3,750,000, were established as a result of discussions with the Governor of the Central Bank of the Philippines under a general authorization of \$5 million for this purpose.

These credits represent a new departure for the Export-Import Bank. They enable the bank, with the active cooperation of commercial banks in the Philippines, to make loans of relatively small amounts for U.S. materials and services required for economically desirable projects.

In the judgment of competent observers of the Philippine scene, economic development there may be greatly assisted by the establishment of small independent industrial units. Selection of the units that are to receive assistance from the Export-Import Bank can be greatly facilitated by the advice of the private commercial banks, the Rehabilitation Finance Corporation, and the Central Bank of the Philippines. These agencies are well informed of the Philippine economy, its potential, and the individuals and firms that are most likely to provide the initiative and guidance that will be the most beneficial to its development.

Individual loans by the Export-Import Bank under each of the newly established lines of credit will be made only upon approval by the Central Bank. Any such loan which is in excess of \$100,000 must be approved also by the Export-Import Bank. In every instance an assurance will be provided by the Central Bank that the funds will be used to purchase U.S. machinery, materials, or services, that the credit will be utilized to assist industrial or agricultural production which would contribute to the economic development of the Philippines, and that the terms of the individual

credits are appropriate to the purposes to be served in each case.

Following recommendations of the Central Bank of the Philippines, the five individual lines of credit established by the Export-Import Bank are in favor of the following:

<i>Institution</i>	<i>Amount of line</i>
China Banking Corporation-----	\$550,000
Equitable Banking Corporation-----	500,000
Philippine Bank of Communications-----	500,000
Prudential Bank & Trust Company-----	200,000
Rehabilitation Finance Corporation-----	2,000,000
	\$3,750,000

The remaining \$1,250,000 provided under the earmark for the Philippines of \$5 million for this type of credit may subsequently be allocated to these or other Philippine lending institutions as circumstances may require.

The individual loans to the Philippine banks by the Export-Import Bank are to be repaid by them, after suitable periods of grace, in semi-annual installments over periods appropriate to the purposes of the several loans. The repayment period will not exceed 10 years from the date of advances under a loan, and it is anticipated that most of the loans will be for much shorter periods. Interest on the principal balances of these loans outstanding from time to time will be paid to the Export-Import Bank semiannually at the rate of 4 percent per annum. The Central Bank also will provide suitable assurances that dollar exchange will be made available for payments of principal and interest to the Export-Import Bank.

This type of credit has a number of desirable features. It will provide dollar financing for a variety of U.S. exports for which financing would not otherwise be available; it will permit the extension of U.S. loan assistance to the smaller Philippine enterprises which are peculiarly well adapted to a developing economy; and it will utilize the practical knowledge of the commercial banks in respect to the specific credit needs and prospects of the foreign enterprises concerned. These loans are evidence not only of the continuing interest of the United States in the sound development of the economy of the Philippines but also of the purpose of the Export-Import Bank to adopt the financing techniques best suited to special needs of international trade in each case in which they arise.

Shipments to Communist-Controlled Area of Indochina

The Bureau of Foreign Commerce of the Department of Commerce announced on July 26 that all outstanding export licenses validated prior to noon of that day had been suspended for the area of Indochina which is Communist-controlled un-

der the Geneva truce agreement and for the temporary Hanoi-Haiphong enclave. In addition, all general-license shipments for these areas, except those of a character permitted to other Communist-controlled destinations, have been revoked.

The Bureau said that export licenses suspended by this action covering shipments to the Hanoi-Haiphong enclave held by the free forces in north Viet-Nam will be considered for revalidation, and, in addition, export licenses will continue to be granted to that area in accordance with the interest of the foreign policy and national security of the United States. Export licenses covering shipments to Cambodia, Laos, and retained Viet-Nam remain in effect, and future applications covering such shipments will be approved if the goods are to remain in these areas and if the shipments are in the interest of the foreign policy and national security of the United States.

Gift Shipments to Prisoners in Communist China

Americans imprisoned in Communist China may be sent gift parcels by their next of kin, or others in the United States directly concerned with their welfare, the Bureau of Foreign Commerce, U.S. Department of Commerce, announced on July 13.

The arrangement for shipping gift packages to imprisoned U.S. nationals was worked out with the cooperation of the Departments of State and Defense and the Post Office following a statement made at Geneva by the Chinese Communists that U.S. prisoners would be permitted to receive such parcels. The embargo against all other shipments of U.S. goods to Communist China remains in effect.

Under the new procedure only about 50 Americans who are actually confined to prisons or under house arrest and who have been identified by the Departments of State or Defense are permitted to receive gift parcels.

In addition, the gift shipments must be authorized by a letter validated by the Bureau of Foreign Commerce which must be presented to the Postmaster for each mailing. These letters have been sent to the legal next of kin or to the religious group of which the prisoner is a member. They may be used by other individuals or organizations for the purpose of sending such parcels on the responsibility and at the discretion of the holder.

Only one parcel a week may be sent to any one prisoner and may include only those items normally sent as gifts, such as food, toilet articles, civilian clothing, and drugs in dosage form, except gamma globulin. The total domestic retail value of all items included in a single package is limited to \$50. If the parcel contains certain sulfonamide, antibiotic, antimalarial, and quinine preparations, their value may not exceed \$25.

The packages must be addressed to the imprisoned U.S. national in care of the National Red Cross Society of China, Peiping, China, and must conform to U.S. Post Office regulations as to size, weight, and permitted contents.

Several New Commodities Placed Under General License

Exporters now may ship several additional commodities to most countries without applying for an individual export license, the Bureau of Foreign Commerce of the U.S. Department of Commerce announced on July 15. The relaxations apply to certain optical instrument glass and blanks; naphtha oil and coal-tar naphtha; and industrial pumps and parts, such as centrifugal, turbine, rotary, and diaphragm.

Individual export licenses will continue to be required for shipments to Hong Kong, Macao, and the Soviet bloc countries. Shipments to other countries may be made under general license GRO without prior application to the Bureau of Foreign Commerce. The Bureau explained that controls were relaxed because these commodities no longer need to be kept on the Positive List for strategic or supply reasons.

Soviet Stand on Disarmament

*Statement by Morehead Patterson
U.S. Representative in the Disarmament Commission¹*

On Friday [July 23], the delegate of the Soviet Union complained at some length that the United States leaders "are concentrated upon a reorganization of the armed forces of that country in the direction of a forced adaptation of land, air, and naval units for the use of atomic and hydrogen weapons."

The United States is adapting its armed forces to nuclear weapons. Does Mr. Tsarapkin wish to leave the impression that the Soviet Union is not doing the same thing?

Under present world conditions we need nuclear weapons to defend ourselves. Why? The world in recent years has witnessed Communist aggression and subversion in China, Korea, Indochina, Tibet, and elsewhere. There is no evidence that the ruling circles of the Soviets have given up in any sense the pursuit of the "Yenan way." Our nuclear weapons, as we pointed out on a number of occasions in London, redress the existing imbalance of power in armed forces and nonatomic

¹ Made in the Commission on July 28 (U.S./U.N. press release 1941).

armaments. In resenting United States atomic strength Mr. Tsarapkin is merely underscoring the point we made last week when I said, "The Soviet Union seeks to establish a code of rules which will confine the weapons to be used in warfare to those where the Soviet Union has superiority."²

They give us no alternative but to make our forces as effective as possible and ready to defend against any aggression. But to Mr. Tsarapkin's charge that the United States is "preparing a new world war," I can only ask in the vernacular, how silly can you get? We say to the Soviet Union, the United States wants peace and comprehensive safeguarded disarmament. Try offering us an honest and up-to-date plan and see what happens. Or try approaching President Eisenhower's December 8 plan honestly and straightforwardly.

Mr. Tsarapkin stated that the western representatives refused to discuss seriously the proposals made in London by the Soviet Union. In making this statement he is taking a terrible chance. For, if it is the wish of the Commission, I should be glad to read here the 55-minute speech which I made in the subcommittee discussing these proposals. Certainly no one wants that. But for those who are interested, it is all in the verbatim records to be considered at leisure.

The Soviet representative alleges that since 1946 the Western Powers and in particular the United States have carried out "a policy of sabotage" (I am using his words) against the Soviet proposals. I have held this statement in front of the Moscow mirror with interesting results. The mirror reveals that "sabotage" in the Soviet vocabulary means disagreement with the Soviet position. The Soviet representative should not attempt to carry that definition into the international field.

Mr. Tsarapkin, after reading the usual Soviet proposals, asked "What goes counter to the opinion of the world in these propositions?" I answer as on other occasions. The peoples of the world will not buy toothless paper promises with no assurances that such promises will ever be observed. The Soviet program is like a book with a table of contents and nothing else but blank pages. We think that world opinion joins us in demanding that they fill these blank pages with carefully prepared and detailed descriptions of the vague chapter headings. We think that world opinion joins us in demanding a program sufficiently precise to give security and safety and freedom from fear.

The conclusion we reached from the subcommittee discussions was that the Soviet Union had no serious desire at this time to negotiate in the United Nations on the subject of disarmament. Nothing has happened in these meetings in New York to alter that conclusion. Our colleague from

² For text of Mr. Patterson's July 20 statement, see BULLETIN of Aug. 2, 1954, p. 171.

New Zealand³ correctly characterized the Soviet attitude with the expression "stony immobility" and concluded that this attitude created an "unbridgeable gap" on the road to disarmament and the control of nuclear weapons. We believe that this reflects the general conclusion of this commission well expressed in the thoughtful statements that the members have made. We regret that we cannot share the optimism of our colleague from France, our distinguished chairman, Mr. Moch, in thinking that he can see in the London talks major points of possible agreement between the disarmament positions of the free world and the Communists. We are afraid that further study will convince him, as it convinces us, that what he seems to see is unfortunately only a Moscow mirage.

Provisional Agenda of Ninth Session of U.N. General Assembly⁴

U.N. doc. A/2667 dated July 23

1. Opening of the session by the Chairman of the delegation of India
2. Minute of silent prayer or meditation
3. Appointment of a Credentials Committee
4. Election of the President
5. Constitution of the Main Committees and election of officers
6. Election of Vice-Presidents
7. Notification by the Secretary-General under Article 12, paragraph 2, of the Charter
8. Adoption of the agenda
9. Opening of the general debate
10. Report of the Secretary-General on the work of the Organization
11. Report of the Security Council
12. Report of the Economic and Social Council
13. Report of the Trusteeship Council
14. Election of three non-permanent members of the Security Council
15. Election of six members of the Economic and Social Council
16. Election of members of the International Court of Justice:
 - (a) Election of a member of the Court to fill the vacancy caused by the death of Sir Benegal Rau
 - (b) Election of five members of the Court
17. The Korean question:
 - (a) Report of the United Nations Commission for the Unification and Rehabilitation of Korea (resolution 376 (V) of 7 October 1950)
 - (b) Report of the United Nations Agent General for Korean Reconstruction (resolution 410 (V) of 1 December 1950)
18. Report of the Director of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (resolutions 302 (IV) of 8 December 1949 and 720 (VIII) of 27 November 1953)
19. Methods which might be used to maintain and strengthen international peace and security in accordance with the Purposes and Principles of the Charter:

³ Leslie Knox Munro.

⁴ The ninth regular session will convene at United Nations Headquarters, N. Y., on Sept. 21.

- report of the Collective Measures Committee (resolution 703 (VII) of 17 March 1953)
20. Regulation, limitation and balanced reduction of all armed forces and all armaments: report of the Disarmament Commission (resolution 715 (VIII) of 28 November 1953)
 21. Admission of new Members: report of the Committee of Good Offices (resolution 718 (VIII) of 23 October 1953)
 22. Treatment of people of Indian origin in the Union of South Africa: report of the United Nations Good Offices Commission (resolution 719 (VIII) of 11 November 1953)
 23. The question of race conflict in South Africa resulting from the policies of *apartheid* of the Government of the Union of South Africa: report of the United Nations Commission on the Racial Situation in the Union of South Africa (resolution 721 (VIII) of 8 December 1953)
 24. Appointment of members of the Peace Observation Commission (resolution 696 (VII) of 6 November 1952)
 25. Economic development of under-developed countries:
 - (a) Question of the establishment of a special United Nations fund for economic development: summary by the Secretary-General of comments of Governments on the report of the Committee of Nine, report of Mr. Raymond Scheyven and report of the Economic and Social Council (resolution 724 B (VIII) of 7 December 1953)
 - (b) Question of the establishment of an international finance corporation: report of the Economic and Social Council (resolution 724 C I (VIII) of 7 December 1953)
 - (c) International flow of private capital for the economic development of under-developed countries (Economic and Social Council resolution 512 B (XVII) of 30 April 1954)
 - (d) Land reform (Economic and Social Council resolution 512 C I (XVII) of 30 April 1954)
 26. Programmes of technical assistance: report of the Economic and Social Council
 27. Report of the United Nations High Commissioner for Refugees (resolutions 428 (V) of 14 December 1950 and 728 (VIII) of 23 October 1953)
 28. Freedom of information: report of the Economic and Social Council (resolution 736 A (VIII) of 28 November 1953)
 29. Question of organizing an international professional conference to prepare the final text of an International Code of Ethics for the use of information personnel: report of the Secretary-General (resolution 736 B (VIII) of 28 November 1953)
 30. Forced labour: report of the Economic and Social Council (resolution 740 (VIII) of 7 December 1953)
 31. Information from Non-Self-Governing Territories transmitted under Article 73 e of the Charter: reports of the Secretary-General and of the Committee on Information from Non-Self-Governing Territories:
 - (a) Information on economic conditions
 - (b) Information on other conditions
 - (c) Transmission of information
 - (d) Participation of Non-Self-Governing Territories in the work of the Committee on Information from Non-Self-Governing Territories (resolutions 647 (VII) of 10 December 1952 and 744 (VIII) of 27 November 1953)
 32. Cessation of the transmission of information under Article 73 e of the Charter: report of the Committee on Information from Non-Self-Governing Territories (resolutions 222 (III) of 3 November 1948, 448 (V) of 12 December 1950 and 747 (VIII) of 27 November 1953):
 - (a) Communication from the Government of Denmark concerning Greenland
 - (b) Other communications
 33. Election to fill vacancies in the membership of the Committee on Information from Non-Self-Governing Territories (resolution 646 (VII) of 10 December 1952)
 34. Question of South West Africa: report of the *Ad Hoc* Committee on South West Africa (resolution 749 (VIII) of 28 November 1953)
 35. The Togoland unification problem: special report of the Trusteeship Council (resolution 750 (VIII) of 8 December 1953)
 36. Financial reports and accounts, and reports of the Board of Auditors:
 - (a) United Nations, for the financial year ended 31 December 1953
 - (b) United Nations Children's Fund, for the financial year ended 31 December 1953
 - (c) United Nations Relief and Works Agency for Palestine Refugees in the Near East, for the financial year ended 30 June 1954
 - (d) United Nations Korean Reconstruction Agency, for the financial year ended 30 June 1954
 37. Supplementary estimates for the financial year 1954
 38. Budget estimates for the financial year 1955
 39. Appointments to fill vacancies in the membership of subsidiary bodies of the General Assembly:
 - (a) Advisory Committee on Administrative and Budgetary Questions
 - (b) Committee on Contributions
 - (c) Board of Auditors
 - (d) Investments Committee: confirmation of the appointment made by the Secretary-General
 - (e) United Nations Administrative Tribunal
 - (f) United Nations Staff Pension Committee
 40. Headquarters of the United Nations: report of the Secretary-General (resolution 780 (VIII) of 9 December 1953)
 41. Scale of assessment for the apportionment of the expenses of the United Nations: report of the Committee on Contributions (resolution 765 (VIII) of 27 November 1953)
 42. Report of the Negotiating Committee for Extra-Budgetary Funds (resolution 750 (VIII) of 5 October 1953)
 43. Administrative and budgetary co-ordination between the United Nations and the specialized agencies: reports of the Advisory Committee on Administrative and Budgetary Questions
 44. Review of audit procedures of the United Nations and the specialized agencies: reports of the Secretary-General and of the Advisory Committee on Administrative and Budgetary Questions (resolution 768 (VIII) of 27 November 1953)
 45. Audit reports relating to expenditure by specialized agencies of technical assistance funds allocated from the Special Account (resolution 519 A (VI) of 12 January 1952)
 46. United Nations Joint Staff Pension Fund:
 - (a) Annual report of the United Nations Joint Staff Pension Board
 - (b) Acceptance by the specialized agencies of the jurisdiction of the United Nations Administrative Tribunal in matters involving applications alleging non-observance of the regulations of the United Nations Joint Staff Pension Fund: report of the Secretary-General (resolution 771 (VIII) of 27 November 1953)
 - (c) Admission of staff members of the Interim Commission for the International Trade Organization to membership in the United Nations Joint Staff

- Pension Fund: report of the United Nations Joint Staff Pension Board (resolution 773 (VIII) of 27 November 1953)
- (d) Revision of the administrative rules of the United Nations Joint Staff Pension Fund: report of the United Nations Joint Staff Pension Board
47. System of allowances to members of commissions, committees and other subsidiary bodies of the General Assembly or other organs of the United Nations: reports of the Secretary-General and of the Advisory Committee on Administrative and Budgetary Questions (resolution 775 (VIII) of 27 November 1953)
48. Awards of compensation made by the United Nations Administrative Tribunal: advisory opinion of the International Court of Justice (resolution 785 A (VIII) of 9 December 1953)
49. Report of the International Law Commission on the work of its sixth session
50. International criminal jurisdiction: report of the 1953 Committee on International Criminal Jurisdiction (resolution 687 (VII) of 5 December 1952)
51. Question of defining aggression: report of the Special Committee on the Question of Defining Aggression (resolution 688 (VII) of 20 December 1952)
52. The future of the Trust Territory of Togoland under United Kingdom Trusteeship: item proposed by the United Kingdom of Great Britain and Northern Ireland
53. Organization of the Secretariat: item proposed by the Secretary-General
54. Personnel policy of the United Nations: item proposed by the Secretary-General

U.S. Delegations to International Conferences

International Scientific Radio Union

The Department of State announced on July 27 (press release 408) that the United States Government will be represented at the Eleventh General Assembly of the International Scientific Radio Union at The Hague, Netherlands, August 23 to September 2 by the following delegates:

- Arthur H. Waynick, D.Sc., *Chairman* of the delegation, professor and head, Electrical Engineering Department, Pennsylvania State University, State College, Pa.
- Charles R. Burrows, Ph.D., director, School of Electrical Engineering, Cornell University, Ithaca, N. Y.
- J. Howard Dellinger, Ph.D., 3900 Connecticut Avenue NW, Washington, D. C.
- William E. Gordon, School of Electrical Engineering, Cornell University, Ithaca, N. Y.
- Harry W. Wells, Upper Atmosphere Section, Carnegie Institution of Washington, Washington, D. C.

The International Scientific Radio Union is affiliated with the International Council of Scientific Unions. Since its organization in 1919, it has been developing, on an international basis, scientific studies and programs pertaining to radio-electricity and related subjects and bringing together, in its biennial assemblies, the scientists who are responsible for the research underlying the spectacular advances in electronics, radar, television, and other applications of radio principles and techniques. Its aims are to promote

international cooperation in the scientific study of radio, to encourage and aid in the organization of radio research requiring cooperation on a large scale, to promote the establishment of common methods and standards of radio measurement, and to encourage and aid in the discussion and dissemination of the results of these activities.

The International Scientific Radio Union has an active National Committee in each of its 23 member states. These committees, organized and sponsored in each country by the National Research Council or a corresponding body, hold scientific meetings and have active working committees.

At the Assembly there will be general sessions for the discussion of papers, meetings of the specialized commissions for the review of the work in various fields, and business meetings.

Third Inter-American Indian Conference

The Department of State announced on July 28 (press release 411) that the U.S. delegation to the Third Inter-American Indian Conference at La Paz, Bolivia, August 2-12, 1954, will be headed by Alex Jacome of Tucson, Ariz. Mr. Jacome is a business and civic leader in Tucson and has been actively concerned with the problems of the Indians for several years.

The Chairman will be assisted by the following delegation:

Delegates

- Newton Edwards, Staff Assistant to the Assistant Secretary for Public Land Management, Department of the Interior
- T. Dale Stewart, Ph. D., Division of Physical Anthropology, Smithsonian Institution

Advisors

- Thomas Hart, Ph. D., U.S. Operating Mission, Foreign Operations Administration, La Paz
Edward J. Rowell, American Embassy, La Paz

The Third Inter-American Indian Conference is being convened in compliance with article II of the convention establishing the Conference and the Inter-American Indian Institute, approved at Patzcuaro, Michoacan, Mexico, on April 24, 1940, and a resolution adopted at the Second Inter-American Indian Conference, held at Cuzco, Peru, in 1949, which selected Bolivia as the site of the Third Conference. On May 26, 1941, the United States Senate gave its advice and consent to the convention, and it was ratified by the President on June 6, 1941. The Council of the Organization of American States, on May 5, 1954, designated the Inter-American Indian Conference as a specialized conference of that organization. This series of conferences is designed to promote exchange of information on how best the Indian may make a fuller contribution to the respective national economies.

Agenda items include (1) geographical distri-

bution of Indians in the Americas; (2) demography of the present-day American Indian population; (3) economic life of the American Indians; (4) family life of the American Indians; (5) political, juridical, and military life of the American Indians; and (6) cultural life of the American Indians.

U.S. Authors To Attend Congress of Writers

The Department announced on July 29 (press release 414) that William Faulkner, novelist, and Robert Frost, poet, have accepted invitations from the Brazilian Writers Organizing Committee to attend the International Congress of Writers in São Paulo, Brazil, from August 9 to 21. The Congress, to be held in connection with the fourth centennial festivities of the city of São Paulo, will be attended by eminent writers and critics from various countries whose intellectual qualities and literary reputations are internationally recognized.

Mr. Faulkner will leave his home at Oxford, Miss., for Brazil on August 6 and will remain in São Paulo until approximately August 16. Mr. Frost will leave from New York on August 8 and expects to return to that city on August 23. He will give a reading of his poems in Rio de Janeiro before proceeding to São Paulo. Both Mr. Faulkner and Mr. Frost have also received invitations from the Department of State to participate in the Writers Congress under the International Educational Exchange Program.

Current U.N. Documents: A Selected Bibliography¹

General Assembly

Request for the Inclusion of an Additional Item in the Agenda of the Eighth Regular Session: Item Proposed by Thailand. Request of Thailand for Observation Under the Peace Observation Commission. A/2665, July 7, 1954. 5 pp. mimeo.

Information From Non-Self-Governing Territories: Summary and Analysis of Information Transmitted Under Article 73e of the Charter: Report of the Secretary-General. Summary of Information Transmitted by the United States. A/2658, July 16, 1954. 41 pp. mimeo.

¹ Printed materials may be secured in the United States from the International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N. Y. Other materials (mimeographed or processed documents) may be consulted at certain designated libraries in the United States.

Economic Development of Under-Developed Countries. Special United Nations Fund for Economic Development. Comments of Governments on the Report of the Committee of Nine, submitted in accordance with General Assembly resolution 724 B (VIII). A/2646/Add.1. May 25, 1954. 17 pp. mimeo.

Secretariat

Department of Public Information, Research Section. Refugees. Background Paper No. 78. ST/DPI/SER.A/78, December 29, 1953. 22 pp. mimeo.

International Research on Migration. ST/SOA/18, September 1953. 33 pp. multilith.

Cumulative Index to the Resolutions of the General Assembly Fifth Session Through Seventh Session, 1950-1953. ST/LIB/SER.D/46, January 26, 1954. 51 pp. mimeo.

Migration Digest No. 37. Prepared and issued by the Division of Social Welfare, Department of Social Affairs. ST/SOA/SER.G/37, March 10, 1954. 36 pp. mimeo.

Security Council

Letter Dated 5 May 1954 from the Representative of Israel Addressed to the President of the Security Council. S/3210. May 6, 1954. 4 pp. mimeo.

Summary Statement by the Secretary-General on Matters of Which the Security Council is Seized and on the Stage Reached in Their Consideration. S/3211. May 10, 1954. 3 pp. mimeo.

Letter Dated 10 May 1954 from the Representative of Syria Addressed to the President of the Security Council. S/3212. May 11, 1954. 5 pp. mimeo.

Letter Dated 12 May 1954 from the Representative of Israel to the United Nations, Addressed to the President of the Security Council. S/3213. May 12, 1954. 2 pp. mimeo.

Letter Dated 18 May 1954 from the Representative of Israel Addressed to the President of the Security Council. S/3216. May 20, 1954. 4 pp. mimeo.

Letter Dated 17 May 1954 from the Representative of Israel to the United Nations, Addressed to the President of the Security Council. S/3215. May 18, 1954. 4 pp. mimeo.

Letter Dated 26 May 1954 from the Representative of Syria Addressed to the President of the Security Council. S/3218. May 26, 1954. 3 pp. mimeo.

Letter Dated 7 June 1954 from the Permanent Representative of Syria Addressed to the President of the Security Council. S/3225. June 7, 1954. 2 pp. mimeo.

Letter Dated 19 July 1954 from the Permanent Representative of Syria to the President of the Security Council. S/3269, July 19, 1954. 2 pp. mimeo.

Report by the Chief of Staff of the Truce Supervision Organization to the Secretary-General Concerning the Scorpion Pass Incident. S/3252, June 25, 1954. 16 pp. mimeo.

Cablegram Dated 19 June 1954 from the Minister for External Relations of Guatemala Addressed to the President of the Security Council. Cablegram dated 20 June 1954 sent by the Secretary-General to all Member States; replies from Costa Rica, Nicaragua, Chile, Honduras, Venezuela, Israel, Brazil, Yemen, Ecuador. S/3255, June 29, 1954. 4 pp. mimeo.

Cablegram Dated 1 July 1954 from the Acting Minister for Foreign Affairs of the Hashemite Kingdom of the Jordan Addressed to the Secretary-General. S/3258, July 2, 1954. 1 p. mimeo.

Letter Dated 1 July 1954 from the Representative of Israel Addressed to the President of the Security Council. S/3259, July 2, 1954. 3 pp. mimeo.

TREATY INFORMATION

U.S.-Libyan Negotiations

Press release 398 dated July 22

Negotiations between the Government of the United States and the Government of the United Kingdom of Libya have been concluded successfully during talks in Washington between a Libyan delegation headed by the Prime Minister, Mustafa ben Halim, and U.S. officials. A United States-Libyan base rights agreement has been completed in all matters of substance. The formal agreement will be signed in Libya after the return of the Prime Minister and will then be presented to the Libyan Parliament for approval.

The Prime Minister's visit to Washington was also the occasion for very satisfactory talks on other problems of mutual interest, including Libya's economic development and the means of strengthening the friendship already existing between the two countries.

Current Actions

MULTILATERAL

Automotive Traffic

Convention concerning customs facilities for touring. Concluded at New York June 4, 1954; open for signature until December 31, 1954. Enters into force ninety days after deposit of the fifteenth instrument of ratification or accession.

Signatures:

United States
Argentina
Austria
Belgium
Cambodia
Ceylon
Costa Rica
Cuba
Dominican Republic
Ecuador
Egypt
France
Germany
Guatemala
Haiti

Honduras
Italy
Mexico
Monaco
Netherlands
Panama
Philippines
Portugal
Spain
Sweden
Switzerland
United Kingdom
Uruguay
Vatican City

Customs convention on the temporary importation of road vehicles. Concluded at New York June 4, 1954; open for signature until December 31, 1954. Enters into force ninety days after deposit of the fifteenth instrument of ratification or accession.

Signatures:

United States
Argentina
Austria

Belgium
Cambodia
Ceylon

Costa Rica	Mexico
Cuba	Monaco
Dominican Republic	Netherlands
Ecuador	Panama
Egypt	Philippines
France	Portugal
Germany	Spain
Guatemala	Sweden
Haiti	Switzerland
Honduras	United Kingdom
India	Uruguay
Italy	Vatican City

Commodities—Sugar

International sugar agreement. Done at London under date of October 1, 1953.

Accession deposited: Canada, June 29, 1954.

Ratification deposited: Germany, July 12, 1954.

External Debts—Germany

Agreement on German external debts. Signed at London February 27, 1953. Entered into force September 16, 1953. TIAS 2792.

Ratification deposited: Luxembourg, June 29, 1954.

North Atlantic Treaty

Agreement between the parties to the North Atlantic Treaty regarding the status of their forces. Signed at London June 19, 1951. TIAS 2846.

Adherence deposited: Greece, July 26, 1954.

Agreement on the status of the North Atlantic Treaty Organization, national representatives and international staff. Signed at Ottawa September 20, 1951. TIAS 2992.

Ratification deposited: Luxembourg, July 23, 1954.

Protocol on the status of international military headquarters set up pursuant to the North Atlantic Treaty. Signed at Paris August 28, 1952. TIAS 2978.

Ratifications deposited: Greece, July 26, 1954; Luxembourg, July 23, 1954.

BILATERAL

Afghanistan

Agreement relating to duty-free entry and defrayment of inland transportation charges on relief supplies and packages for Afghanistan. Effectuated by exchange of notes at Kabul April 29 and May 29, 1954. Entered into force May 29, 1954.

Belgium

Agreement relating to offshore procurement, with exchange of notes. Signed at Brussels September 2, 1953. Entered into force: July 22, 1954 (the date of receipt by the United States of the ratification of the agreement by Belgium).

Agreement relating to the off-shore procurement standard contracts. Effectuated by exchange of notes at Brussels November 19, 1953.

Entered into force: July 22, 1954 (the date on which the agreement of September 2, 1953, relating to off-shore procurement entered into force).

Bolivia

Agreement relating to duty-free entry and defrayment of inland transportation charges on relief supplies and packages for Bolivia. Effectuated by exchange of notes at La Paz June 3 and 16, 1954. Entered into force June 16, 1954.

Germany

Convention for the avoidance of double taxation with respect to taxes on income. Signed at Washington July 22, 1954. Enters into force upon the exchange of instruments of ratification.

Agreement relating to the exemption of United States airline companies from certain German taxes. Effectuated by exchange of notes at Washington July 22, 1954. Entered into force July 22, 1954; operative from July 1, 1950. To continue in force until the income tax convention with Germany signed on July 22, 1954, enters into force.

Luxembourg

Memorandum of understanding relating to the disposal of redistributable and excess property furnished in connection with the mutual defense assistance program,

with related notes. Signed at Luxembourg July 7, 1954. Entered into force July 7, 1954.

Mexico

Agreement amending general agreement for technical co-operation dated June 27, 1951 (TIAS 2273), to provide anti-attachment assurances. Effectuated by exchange of notes at Mexico April 13, 1954. Entered into force April 13, 1954.

Spain

Agreement amending the air transport agreement of December 2, 1944 (58 Stat. 1473), as amended (TIAS 2131, 2132, and 2140). Effectuated by exchange of notes at Washington July 21, 1954. Entered into force July 21, 1954.

Proposed Increase in Duty-Free Allowance on Purchases by U.S. Tourists

*Statement by Samuel W. Anderson
Assistant Secretary of Commerce¹*

The Department of Commerce has a statutory responsibility to foster, promote, and develop the foreign and domestic commerce of the United States. It is because of this responsibility that I appear to represent the Department's views endorsing H. R. 8352, a bill

To increase the amount of articles acquired abroad by residents of the United States which may be brought into the country without payment of duty.

The effect of enactment of this bill would be to increase from \$500 to \$1,000 the value of articles acquired abroad which may be brought into this country duty free by United States residents if they have been abroad for a period of not less than 12 days and have not claimed that privilege within 6 months.

The importance to our domestic economy of a high level of multilateral trade needs no elaboration. Many of our important industries ship such a high proportion of their output to foreign countries that they could not exist without these exports. At the same time we have long recognized, through our foreign-aid programs, that our national security is at least partially dependent on the continued ability of our friends abroad to obtain our goods and services. They need and

want products and services from us in greater quantity than they are able to pay for.

Expenditures abroad by United States tourists are one of the major sources of dollars for many countries. American citizens spent about \$1.3 billion for foreign travel in 1953, of which \$1.1 billion was spent within foreign countries or paid to foreign steamships or airlines. This was enough to pay for nearly 7 percent of our exports to them in that year.

Even though this is now such an important item in our balance of international payments, various estimates have indicated our foreign travel expenditures could be double their present level. Such estimates consider the fact that while consumer incomes have increased greatly above their prewar level, relatively less is spent on foreign travel. To increase this item to its potential relative importance in our international trade accounts would require appropriate additional efforts, particularly on the part of foreign governments and business.

Possibilities for assisting in promoting trade through promotion of travel by the United States Government are relatively more limited. This increases the importance of taking any step—such as that contemplated in the present bill—which would contribute to the development of travel.

The President and the Congress have at various times reemphasized the importance of promoting

¹ Made before the Ways and Means Committee of the House of Representatives on July 21.

United States travel abroad as an integral part of our foreign economic policy. The Department of Commerce considers the promotion of travel, primarily by cooperating with the industries concerned and with other Government agencies in stimulating self-help on the part of foreign countries, as an integral part of its statutory function of fostering and developing the foreign and domestic commerce.

So much for the general policy objectives which afford a background for consideration of this bill. In brief, measures which would result in encouraging more travel by more United States citizens or in increasing the amount of their individual expenditures in other countries would, in turn, enable these countries to purchase more United States goods. The benefits of such an increase in foreign travel would therefore be a factor not only in the size of our foreign aid programs and the amount of taxes levied on all our citizens to pay for them. Such increase would also be of direct benefit to our travel industry (transportation companies, hotels, travel agents, etc.) as well as of indirect benefit to United States firms, factories, farms, labor, and other interests which would be affected by an increase in exports and the accompanying increase in employment, production, and consumption.

Benefits of Bill

The Department of Commerce believes that H. R. 8352 contributes to these objectives in several ways:

It is believed that the greatest single long-term effect of this bill, if enacted, would be the important influence which it would have in stimulating additional and more important actions on the part of foreign countries. The United States constantly tries to encourage and persuade other countries to increase their own earning potential from this important source by reducing travel barriers, increasing accommodations, lowering costs, and in other ways to earn more through their own efforts, particularly toward building a larger market by bringing travel within the reach of more people in lower income groups. As I have indicated, the steps which we can take, either unilaterally or on a reciprocal basis, to directly encourage our own citizens to go abroad are extremely limited.

The step contemplated by this bill would therefore probably be received abroad as an earnest of our continuing intentions to do all we can, as a more important step than it is likely to prove. I am sure that our own efforts at persuading foreign countries to take unilateral (or joint foreign) action in their own behalf would be strengthened.

Of secondary importance, in our opinion, are the increased expenditures—and dollar earnings of foreign countries—which might be expected to result directly from the incentive offered our trav-

elers in the form of an additional allowance of \$500 in the value of products purchased abroad which they may bring back duty free.

Some increase would be expected as a result of this direct encouragement offered by our Government, or as a result of foreign actions to improve tourist conditions which might be encouraged by passage of this bill. Cumulatively these increases would contribute dollar earnings of substantial importance to the countries visited—relatively of much more importance to them than would be a similar amount to us. The U.S. and the world economy would benefit accordingly.

However, there is little reason to expect drastic changes either in the pattern or the average of individual expenditures as a result of this measure.

Unfortunately data are not available as to the type or quantity of products which U.S. travelers have been purchasing abroad and to which this increased customs exemption would apply. It is therefore impossible to present any approximate indication of magnitude of the influence which this measure would have in increasing either total dollar expenditures abroad or expenditures for any particular commodity.

However, I do have with me a table compiled from data collected by our Office of Business Economics primarily for the purpose of measuring the influence of travel on our balance of international payments.²

The table shows, for the European and Mediterranean areas combined, the total number of U.S. travelers, their total expenditures, and the average expenditures for each. These expenditure figures include payments not only for all retail purchases abroad (which we are unable to separate out), but also for accommodations, food, and other disbursements for the cost of living and entertainment abroad. They do not include trans-ocean transportation paid to either U.S. or foreign carriers. It is obvious from the items included in these overall expenditure figures that expenses other than retail purchases which would be subject to the provisions of this bill account for a major part of the average expenditures per person shown.

As the table indicates, expenditures for all the enumerated purposes averaged \$718 per person in 1947. This was the last complete travel year before the duty-free allowance on items purchased abroad was raised from \$100 to \$400 in 1948, and subsequently, in 1949, to the present level of \$500. In succeeding years the average expenditures rose only from \$740 in 1949 to \$767 in 1952. (This was also a period of increasing income in the United States.)

It is evident that consumer retail purchases of U.S. travelers abroad average below the \$500 duty-free limit now in effect. It is also apparent that

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any increase in them which may have occurred since 1949 (even discounting any possible increase in cost of accommodations, food, and other items abroad which are included in the figures given) was far below the increase in duty-free allowance from \$100 to \$500 in this period.

Since large numbers of travelers were obviously unable or unwilling to make purchases up to their \$500 limit, even larger numbers would be unable or unwilling to purchase up to a \$1,000 limit.

Hence the conclusion that drastic changes are unlikely to occur if this bill is passed. On the other hand, there are U.S. travelers who can afford to purchase more, and it is probable that a significant number may be encouraged to do so through this measure and others which could be taken by foreign governments.

While it is impossible to estimate its quantitative importance, a third and direct benefit resulting from passage of this bill is worth considering. That is the important part which U.S. citizens traveling abroad play in the process of introducing new products or introducing old products to new consumers.

Products closely identified in the traveler's mind with the country in which he is traveling exercise a unique appeal. Such products do not have the same appeal to him as a purchaser outside their country of origin. There are purchases also of products not readily available at retail in all parts of the United States, or available only in limited quantities or sales outlets, or at such high prices that they are not widely distributed or purchased in the United States. However, their introduction through sales to a traveler abroad, and eventually to his circle of acquaintances, may be responsible for a long term trend in the increased distribution of imported products. Pay for these imports also, of course, eventually returns to us in the form of payment for our exports of goods and services.

Reactions of Business Groups

It is evident from the positions taken by various business groups on this measure that all of them expect it to have some influence in increasing expenditures of U.S. travelers abroad. The Department of Commerce is informed that a considerable number have indicated their approval of the proposed increase in duty-free allowance on products purchased abroad by U.S. travelers.

These include: the National Association of Travel Organizations, Crowell-Collier Publishing Company, Trans World Airlines, Pan American World Airways, Curtis Publishing Company, American Express Company, American Society of Travel Agents, American Export Lines, the U.S. Council of the International Chamber of Commerce, and the National Foreign Trade Council.

The Department is also aware that opposition has been expressed by some, including the National Council of American Importers, and by some merchants contiguous to the borders who fear the effects of increased across-the-border purchasing by American vacationers in Canada and Mexico.

The data previously cited as to expenditures abroad by American travelers do not provide a basis for analysis of quantities of specific products purchased abroad, nor for a conclusion that adverse effects may be experienced by any particular segment of the U.S. economy because of increased purchases abroad by travelers as a result of enactment of this bill. Adverse effects, if any, in actual sales lost by importers and merchants handling the same products in the United States would be diluted in importance by being spread over the many communities in the United States to which the travelers return and of which they comprise such a small part of the consuming public.

The Department of Commerce believes that the passage of H.R. 8352 would have a stimulating effect on both foreign travel and international trade and that the foreseeable benefits to the economy as a whole outweigh any possibility of disadvantages. It accordingly recommends enactment of H.R. 8352.

Mutual Security Funds for Southeast Asia

Following is the text of a letter from Secretary Dulles to Senator Alexander Wiley:¹

JULY 22, 1954.

The Honorable ALEXANDER WILEY,
United States Senate.

DEAR SENATOR WILEY: You have asked me whether in my judgment the signing of armistice agreements regarding Indochina diminishes the need for funds requested for the area of southeast Asia and the western Pacific in the Mutual Security legislation now before the Congress.

I believe that the armistice does not diminish the need for these funds. If anything it increases the need to have available funds with which to build the defensive capabilities and strengthen the resistance of the free nations in the area. When I appeared before the Foreign Relations Committee during the hearings on this legislation and discussed the need for funds in this area, the possibility of a settlement of the nature which has now taken place was already foreshadowed. As you will recall, when I testified as to the importance of having a flexible fund to build strength in this region, I emphasized the need for it even should such a settlement occur and I believe this

¹ Reprinted from Cong. Rec. of July 29, 1954, p. 11918.

was also held in mind by members of your committee. In my estimation, the gain which communism has now established in this area should be a warning to all the people of the region as well as to ourselves of a need for a determined effort to preserve their freedom. I believe no one can now foresee exactly how these funds will be used. However, their availability will be essential for the success of plans now underway. In the event that unforeseen circumstances prevent the efficient expenditure of these funds for the purposes of strengthening the area against further Communist encroachment, they will of course be held unexpended for future disposition by the Congress.

For these reasons I believe it is a matter of grave importance to the national interest that these funds be available and I trust that the Congress will see fit to authorize and appropriate them.

Sincerely yours,

JOHN FOSTER DULLES.

Current Legislation on Foreign Policy: 83d Congress, 2d Session

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Stockpile and Accessibility of Strategic and Critical Materials to the United States in Time of War. Hearing Before the Special Subcommittee on Minerals, Materials, and Fuels Economics of the Senate Committee on Interior and Insular Affairs Pursuant to S. Res. 143, a Resolution To Investigate the Accessibility and Availability of Supplies of Critical Raw Materials. Part 8, Staff Study of the Paley Commission Report, April 9, 1954. 783 pp.

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- accompany H. R. 9690. H. Rept. 2194, July 13, 1954. 14 pp.
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- Reiterating the Opposition of the House of Representatives to the Seating of the Communist Regime in China in the United Nations. Report to accompany H. Res. 634. H. Rept. 2246, July 14, 1954. 1 p.
- The Mutual Security Act of 1954. Report to accompany H. R. 9678. S. Rept. 1816, July 16, 1954. 2 pp.
- Amending Section 413 (B) of the Foreign Service Act of 1946. Report to accompany H. R. 9910. H. Rept. 2268, July 17, 1954. 8 pp.
- Export-Import Bank Act Amendments of 1954. Report to accompany S. 3589. H. Rept. 2270, July 17, 1954. 6 pp.
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- Amending Sections 32 and 33 of the Trading with the Enemy Act. Report to accompany S. 2420. H. Rept. 2451, July 22, 1954. 14 pp.
- Customs Simplification Act of 1954. Report to accompany H. R. 10009. H. Rept. 2453, July 22, 1954. 25 pp.

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*405	7/26	U.S. delegation to General Assembly.
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417	7/31	Smith: Telecast on Asia.

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